CARE RATINGS PRESS RELEASE

June 28, 2019

Name Of The Company	Instruments	Rating	Amount (Rs.Cr.)
Srei Equipment Finance Limited	Bank Facilities	CARE AA-;/ CARE A1+; [Revised from CARE AA;/ CARE A1+;]	17721.91
	Perpetual Bonds (Series I)	CARE A; [Revised from CARE A+;]	37.50
	CP	CARE A1+; [Revised from CARE A1+;]	1500
	NCD	CARE AA-; [Revised from CARE AA;]	534.16
	Unsecured Subordinated	CARE A+; [Revised from CARE AA-;] Continues to be on Credit Watch with Negative Implications	361.80
Manaksia Steels Limited	Bank Facilities	CARE A; Stable/ CARE A1 [Reaffirmed]	230
	CP	Withdrawn	---
Dighi Port Limited	Bank Facilities	CARE D; ISSUER NOT COOPERATING*	777.09
JK Tyre & Industries Ltd	CP	CARE A1 [Revised from CARE A1+]	300
HDB Financial Services Limited	NCD	CARE AAA; Stable	15000
	PMLD	CARE PP-MLD AAA; Stable [Assigned]	2000
	Bank Facilities	CARE AAA; Stable	25000
	Perpetual Debt	CARE AAA; Stable	1000
	CP	CARE A1+ [Reaffirmed]	12500
Cox and Kings Limited	Bank Facilities	CARE BB; Stable [Revised from CARE AA-: Stable]	1760
	Issuer Rating	CARE BB(Is); Stable [Revised from CARE AA- (Is); Stable]	---
	NCD	CARE BB; Stable [Revised from CARE AA-; Stable]	525
	CP	CARE D	375
	CP	CARE A4 [Revised from CARE A1+]	1685
Ashok Leyland Limited	CP	CARE A1+ [Reaffirmed]	2000
Apollo Munich Health Insurance Company Limited	Sub-ordinate Bonds	CARE AA; Placed on Credit Watch with developing implications	154

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at*www.careratings.com. *Investors/*market *intermediaries /regulators or others are welcome to write to* care@careratings.com *for any clarifications*

Explanatory notes regarding rating symbols of CARE

Symbol	Explanation	Symbol	Symbol	Explanation		*Symbol*	
CARE A1	Superior	CARE AAA	CARE AAA (FD)	Best Quality	High Investment Grade	CCt 1	Very high project execution capability
CARE A2	Strong	CARE AA	CARE AA (FD)	High Quality	-do-	CCt 2	High project execution capability
CARE A3	Adequate	CARE A	CARE A (FD)	Adequate Safety	Investment Grade	CCt 3	Moderate project execution capability
CARE A4	Risk prone	CARE BBB	CARE BBB (FD)	Moderate Safety	-do-	CCt 4	Inadequate project execution capability
CARE D	Default	CARE BB	CARE BB (FD)	Inadequate safety	Speculative Grade	CCt 5	Poor project execution capability
		CARE B	CARE B (FD)	Risk Prone	-do-		
		CARE C	CARE C (FD)	High Risk	Poor Grade		
		CARE D	CARE D(FD)	Default	-do-		

Disclaimer

CAREs ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

Srei Equipment Finance Limited
June 28, 2019

Ratings

Facilities	**Amount (Rs. crore)**	**Ratings**[1]	**Rating Action**
Long-term Bank Facilities	16,663.91 (enhanced from 16,504.05)	CARE AA-; Credit Watch with Negative Implications (Double A Minus; Credit Watch with Negative Implications)	Revised from CARE AA; Credit Watch with Developing Implications (Double A; Credit Watch with Developing Implications)
Short-term Bank Facilities	1,058.00 (enhanced from 760.00)	CARE A1+; Credit watch with Negative Implications (A One Plus; Credit Watch with Negative Implications)	Revised from CARE A1+; Credit Watch with Developing Implications (A One Plus; Credit Watch with Developing Implications)
Short term Bank Facilities	-	-	Withdrawn
Total	**Rs.17,721.91 crore (Rupees Seventeen Thousand Seven Hundred Twenty one Crore and Ninety one Lakh only)**		
Non-Convertible Debentures (NCDs) (Series VII, XII, XIV and XV)	533.86 (Rupees Five Hundred Thirty Three crore and Eighty Six lakh only)	CARE AA-; Credit Watch with Negative Implications (Double A Minus; Credit watch with Negative Implications)	Revised from CARE AA; Credit watch with Developing Implications (Double A; Credit watch with Developing Implications)
Proposed Non-Convertible Debenture issue	0.30 (Rs. Thirty Lakh only)	CARE AA-; Credit Watch with Negative Implications (Double A Minus; Credit Watch with Negative Implications)	Revised from CARE AA; Credit watch with Developing Implications (Double A; Credit watch with Developing Implications)
Unsecured Subordinated Tier II NCDs (Series III, IV, V, VII, VIII & IX)	361.80 (reduced from 386.80) (Rupees Three Hundred Sixty one crore and Eighty Lakh only)	CARE A+; Credit Watch with Negative Implications (Single A Plus; Credit Watch with Negative Implications)	Revised from CARE AA-; Credit watch with Developing Implications (Double A Minus; Credit watch with Developing Implications)
Perpetual Bonds (Series I)	37.50 (Rs. Thirty seven crore and fifty lakh only)	CARE A; Credit Watch with Negative Implications (Single A; Credit Watch with Negative Implications)	Revised from CARE A+; Credit Watch with Developing Implications (Single A Plus; Credit watch with Developing Implications)
Commercial Paper (CP) issue*	1,500 (reduced from 4,500) (Rs. One thousand and five hundred crore only)	CARE A1+; Credit Watch with Negative Implications (A One Plus; Credit watch with Negative Implications)	Revised from CARE A1+; Credit Watch with Developing Implications (A One Plus; Credit Watch with Developing Implications)

Details of instruments in Annexure-1
** Carved out of the sanctioned working capital limits of the company.*

Detailed Rationale & Key Rating Drivers
The revision in the ratings assigned to Srei Equipment Finance Limited (SEFL) takes into account the significant delay in raising capital by the company leading to peripheral Capital Adequacy Ratio (CAR) and high overall gearing. CARE had expected Tier I CAR to improve upto 13.50% as on Mar.31, 2019 with various measures being taken by the company, including infusion of equity capital, to improve CAR. Though Tier I CAR improved to 11.72% as on March 31, 2019, as against 10.04% as on September 30, 2018 due to addition of profit to reserves and relatively stable advances outstanding, it was well below expectations.
Further, SEFL has witnessed increase in total vulnerable assets (net NPA + assets acquired in satisfaction of debt and repossessed assets) to Rs.2015.40 crore as on March 31, 2019 from Rs.1330.54 crore as on March 31, 2018. Net NPA as a percentage of net advances stood high at 6.70% as on March 31, 2019 as against 2.71% as on March 31, 2018 (restated as

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

per IND AS). Also, total vulnerable assets as a percentage of networth stood significantly higher at 69.47% due to the combined effect of increase in such assets and lower than expected networth which is not in line with CARE's expectation. CARE had expected that such assets as a percentage of networth would not exceed 35%.

CARE will continue to closely monitor the developments with respect to strengthening of the balance sheet and improvement in asset quality. Future course of rating action will be dependent upon the results of the efforts of the management for improvement of the same. Improvement in the asset quality such that the net NPA as a percentage of net advances improves to the level of March 31, 2018 by December 31, 2019 and continued improvement in tier I CAR is a key rating sensitivity.

The ratings continue to derive strength from the company's established position and expertise in construction and mining equipment (CME) financing segment, experienced promoters, well-established business network with large customer base and presence of the group in the industry across the value chain.

The ratings also factor in the growth in total income along with relatively stable profitability during FY19 and stable advances outstanding. Further, SEFL had satisfactory liquidity position as on March 31, 2019 with positive mismatches in the upto one year buckets as per the Asset Liability Maturity profile.

The ratings remain constrained by the relatively low return indicators and concentrated resource profile of the company. The ratings also take note of the de-growth in disbursements in FY19.

Further, the ratings assigned to SEFL were on credit watch with developing implications due to approval of a composite scheme of arrangement and amalgamation amongst Srei Infrastructure Finance Limited (SIFL, holding company of SEFL), SEFL and Srei Asset Reconstruction Private Limited (Srei Asset; a wholly owned subsidiary of SIFL) by the company's Board of Directors. However, considering the deterioration in asset quality and moderate CAR which remains an area of concern, the ratings have been placed on credit watch with negative implications.

The implementation of the scheme is subject to receipt of approval from the respective shareholders/creditors, and other statutory and regulatory approvals. The appointed date and effective date for the scheme shall be March 31, 2017.

As per the scheme of arrangement:

I. The "lease business" of SEFL will be demerged to Srei Asset; for which 10 fully paid up equity shares of Srei Asset of Rs.10 each will be issued for every 21 fully paid up equity shares of Rs.10 each held in SEFL.
II. Subsequently, the remaining business undertakings of SEFL will amalgamate with and into SIFL. This being an amalgamation of a wholly owned subsidiary into its parent company, there will be no change in the shareholding pattern. On amalgamation, SEFL shall stand dissolved without being wound-up.
III. On the completion of amalgamation, as aforesaid, the "Lease business", "Rental business" and "Equipment Finance Business" of SIFL will demerge into Srei Asset, pursuant to which Srei Asset will issue 1 full paid-up equity share of Rs.10 each for every 5 fully paid up equity shares of Rs.10 each held in SIFL to the shareholders of SIFL.

Pursuant to the Scheme becoming effective, SIFL will hold 22.08% equity capital of Srei Asset and the balance 77.92% shall be held by current shareholders of SIFL in the same proportion as held by them in SIFL. All the shareholders of SIFL would continue to be the ultimate beneficial economic owners of Srei Asset and the economic ownership of the Equipment Finance business (Srei Asset) will not change at all. Further, Srei Assets has applied for a change of its name to "Srei Asset Finance Private Limited", and intends to subsequently convert itself into a public company, upon which it intends to be renamed as "Srei Asset Finance Limited".

Pursuant to the scheme and on receipt of requisite approvals Srei Asset will be listed on the exchange. The borrowings (including NCDs) of SEFL shall be transferred to Srei Asset.

The company has applied for the required regulatory approvals. CARE will take a view on the ratings once the scheme has been implemented and the exact implications of the above scheme are clear.

CARE has also withdrawn the ratings assigned to certain series/tranches of Unsecured NCDs and short term loan of SEFL with immediate effect, as the company has repaid the aforementioned debt in full and there is no amount outstanding under the issue as on date.

Detailed description of the key rating drivers

Key Rating Strengths

Established group and experienced management

SEFL commenced its present operations in January 2008, when SIFL transferred its equipment finance and leasing business to it on forming a 50:50 joint venture in SEFL with BNP Paribas Lease Group (BPLG). SIFL has experience of leasing and hire-purchase/hypothecation financing of heavy construction equipment and financing of infrastructure related projects of about three decades.

The promoters of SREI group, Mr Hemant Kanoria (Chairman) and his brother Mr Sunil Kanoria (Vice Chairman) have over three decades of business experience in the financial sector. The company also benefits significantly from the experience of its MD, Mr. D. K. Vyas.

Furthermore, the group has presence across the value chain in construction and mining equipment industry with a strong business network.

De-growth in disbursements and relatively stable advances outstanding

The disbursements made by SEFL were lower by 18% from Rs.16,990 crore in FY18 to Rs.13,972 crore in FY19 primarily to restrict growth for maintaining regulatory capital adequacy. Further, with liquidity crisis in the NBFC sector during H2FY19, resource mobilisation was also impacted. The disbursements to CME and used equipment segments continued to dominate overall disbursements at 76% in FY19 (84% in FY18). However, ticket size of disbursements increased leading to top 20 advances contributing to 26% of gross advances (incl. operating lease) as on March 31, 2019 as against 17% as on March 31, 2018.

SEFL's on-book loan portfolio (including operating lease assets) remained relatively stable at Rs.24,442.90 crore as on March 31, 2019 vis-à-vis Rs.23,452.46 crore as on March 31, 2018 with higher securitisation through direct assignment of receivables. The off-book portfolio increased from Rs.4,291.96 crore as on March 31, 2018 to Rs.5,477.76 crore as on March 31, 2019. Consequently, Total Loan Assets under Management (incl. off-book assets) increased by about 8% (Rs.29,920.66 crore as on March 31, 2019 from Rs.27,744.42 crore as on March 31, 2018).

Growth in total income along with stable profitability during FY19

SEFL's total income witnessed a significant growth of about 27% on a y-o-y basis from Rs.3,440.21 crore in FY18 to Rs.4,366.84 crore in FY19 primarily due to increase in interest income and operating lease income with increase in benchmark interest rates by 2% from Q3FY19. Simultaneously, the interest cost also increased significantly by 32% from Rs.1,622.10 crore in FY18 to Rs.2,148.61 crore in FY19 due to debt funded portfolio growth along with increase in average borrowing cost. Net interest income increased from Rs.1,426.14 crore in FY18 to Rs.1,822.56 crore in FY19. The operating expenses remained relatively stable, whereas, depreciation cost increased significantly during the year. The provisions/write-offs for the year was also higher at Rs.529.18 crore in FY19 vis-à-vis Rs.341.39 crore in FY18 as per the new ECL norms under IND AS. Consequently, despite increase in total income, PAT remained stable at Rs.306.28 crore in FY18 vis-à-vis Rs.295.86 crore in FY18.

The return indicators i.e. RONW and Adjusted ROTA of the company witnessed moderation from 12.17% and 1.18% respectively in FY18 to 11.17% and 0.98% respectively in FY19. Interest spread and Net Interest Margin of the company remained stable at 5.98% and 6.94% in FY19 respectively (5.36% and 6.69% respectively in FY18). The profitability ratios continued to remain on the lower side.

Key Rating Weaknesses

Significant increase in total vulnerable assets

SEFL has adopted IND AS from April 1, 2018, and the asset quality has witnessed significant deterioration due to both increase in delinquencies and new accounting principles. The Gross NPA increased significantly from Rs.438.06 crore as on March 31, 2018 (I GAAP) to gross stage III assets of Rs.855.80 crore as on March 31, 2018 on transition to IND AS primarily on account of inclusion of advances pertaining to customers in NCLT (~Rs.400 crore) and restructured assets. Subsequently, the gross and net stage III assets have increased significantly from Rs.855.80 crore and Rs.504.65 crore respectively as on March 31, 2018 to Rs.1,667.42 crore and Rs.1,308.38 crore respectively as on March 31, 2019. Consequently, Gross stage III and Net stage III assets as a percentage of advances deteriorated from 4.51% and 2.71% respectively as on March 31, 2018 to 8.38% and 6.70% respectively as on March 31, 2019.

The repossessed assets/assets acquired in satisfaction of debt decreased from Rs.825.89 crore as on March 31, 2018 to Rs.707.02 crore as on March 31, 2019 and stood at 24.37% of networth.

However, total vulnerable assets to networth deteriorated significantly from 51.47% as on March 31, 2018 to 69.47% as on March 31, 2019 which was significantly above the expectation of 35%. Collection efficiency stood at 98.92% in FY19 as compared to 96.70% in FY18.

Peripheral capital adequacy ratio due to delay in raising equity and leveraged capital structure

SEFL had firm plans to raise equity of minimum Rs.1,000 crore in FY19 through IPO or other routes which would have resulted in improvement in tier I CAR and overall gearing. However, due to adverse market conditions, the IPO could not materialise. The company was not able to raise equity through alternate routes as well. Tier I CAR marginally improved, however, with the company raising perpetual debt and maintaining relatively stable loan book in spite of significant disbursements through securitisation of assets. Both Tier I and overall CAR of SEFL remained moderate at 11.72% and 16.08% respectively as on March 31, 2019 vis-à-vis 10.68% and 15.94% respectively as on March 31, 2018. The company, to manage its capital adequacy, is expecting to accomplish high volumes of assignment/portfolio sale, resorting to co-lending model and is simultaneously exploring raising capital through private equity initiatives.

The overall gearing remained at 7.23x as on March 31, 2019 vis-à-vis 7.56x as on March 31, 2018.

Concentrated resource profile

The resource profile of SEFL as on March 31, 2019 remained concentrated with term loans and working capital from domestic banks constituting 52% of the total borrowings. The term loans from domestic FIs and foreign currency loans

accounted for 11% each of the total borrowings. Capital markets instruments such as NCDs and CPs only accounted for 19% of the total borrowings. The balance 7% of the borrowing was from securitisation through PTC route.
Though the company has been successful in rolling over cash credit on a continuous basis, there is need to reduce dependence on bank borrowings. Access to securitisation market supports the funding requirements of the company.

Liquidity
The liquidity position of SEFL as per statutory ALM submitted to RBI reflects that assets maturing in upto one year bucket exceeds the corresponding liabilities as on March 31, 2019 and the company had cumulative surplus of Rs.1,582.30 crore upto 1 year. However, considering that the cash credit limits are to be classified in the upto one year bucket, the company would have mismatch in the six months to one year bucket. Such working capital facilities from banks are renewed on a year-to-year basis and therefore are revolving in nature. SEFL had free cash of ~Rs.233 crore as on March 31, 2019 and unutilized lines of credit of ~Rs.1,000 crore as of May'19. Further, the company has presence in the securitization market and the unencumbered securitizable loan assets stood at ~Rs.2,480 crore as on March 31, 2019.

Analytical approach: Standalone

Applicable Criteria
[CARE's Policy on Default Recognition]
[Criteria for Short Term Instruments]
[Rating Methodology: Factoring Linkages in Ratings]
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings]
[Rating Methodology- Non Banking Finance Companies (NBFCs)]
[Financial ratios –Financial Sector]

About the Company
SEFL was incorporated on June 13, 2006, under the name of 'Srei Infrastructure Development Ltd.' as a subsidiary of SIFL; rated 'CARE A+; Stable/CARE A; Stable /CARE A1+'; under credit watch with developing implications) for financing and development of infrastructure projects. In April 2008, SEFL was converted into a 50:50 JV company with BPLG (a 100% subsidiary of BNP Paribas Bank) and SIFL divested its equipment financing and leasing business along with all the assets & liabilities to SEFL as on January 1, 2008. In September 2008, RBI classified SEFL as a "Systemically Important Non-deposit Taking Asset Finance Company".
In June 2016, SIFL acquired the 50% stake of BPLG in SEFL and it became a 100% subsidiary of SIFL.
Currently, SEFL is engaged in leasing and hire-purchase financing/hypothecation of construction & mining and allied equipment, tipper & allied equipment, IT & allied equipment, medical & allied equipment, farm equipment and loans against property. The company has distribution network of 90 branches across 21 states and 77 additional satellite locations along with 272 vendor & manufacturer partnerships.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	3,440.21	4,366.84
PAT	295.86	306.38
Interest coverage (times)	1.27	1.21
Total Assets	25,353.34	27,181.10
Net NPA (%)	2.71	6.70
ROTA (%)	1.39	1.17

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	1058.00	CARE A1+; Credit Watch with Negative Implications
Term Loan-Long Term	-	-	Jul'24	4663.91	CARE AA-; Credit Watch with Negative Implications
Fund-based - LT-Cash Credit	-	-	-	12000.00	CARE AA-; Credit Watch with Negative Implications
Term Loan-Short Term	-	-	Jan'19	0.00	Withdrawn
Secured NCD	13-Jun-14	10.92%	13-Jun-24	10.00	CARE AA-; Credit Watch with Negative Implications
Secured NCD	20-Jun-14	10.90%	20-Jun-24	10.00	CARE AA-; Credit Watch with Negative Implications
Secured NCD	11-May-15	9.75%	11-May-20	8.48	CARE AA-; Credit Watch with Negative Implications
Secured NCD	11-May-15	10.25%	11-Aug-20	23.23	CARE AA-; Credit Watch with Negative Implications
Secured NCD	11-May-15	10.25%	11-May-22	32.15	CARE AA-; Credit Watch with Negative Implications
Proposed Secured NCD	-	-	-	0.30	CARE AA-; Credit Watch with Negative Implications
Secured NCD	16-Oct-17	9.25%	16-Oct-20	150.00	CARE AA-; Credit Watch with Negative Implications
Secured NCD	30-Jan-19	10.50%	30-Jan-24	300.00	CARE AA-; Credit Watch with Negative Implications
Tier II-Unsecured NCD	23-Dec-09	10.00%	23-Dec-19	100.00	CARE A+; Credit Watch with Negative Implications
Tier II-Unsecured NCD	19-Mar-10	10.00%	19-Mar-20	25.50	CARE A+; Credit Watch with Negative Implications
Tier II-Unsecured NCD	31-Mar-10	10.00%	31-Mar-20	74.50	CARE A+; Credit Watch with Negative Implications
Tier II-Unsecured NCD	24-Jan-13	11.25%	24-Jan-23	9.00	CARE A+; Credit Watch with Negative Implications
Tier II-Unsecured NCD	07-May-13	11.25%	07-May-23	20.80	CARE A+; Credit Watch with Negative Implications
Tier II-Unsecured NCD	-	-	-	0.00	Withdrawn
Tier II-Unsecured NCD	-	-	-	0.00	Withdrawn
Tier II-Unsecured NCD	27-Sep-13	11.00%	27-Sep-20	16.00	CARE A+; Credit Watch with Negative Implications
Tier II-Unsecured NCD	16-Mar-15	11.00%	16-Mar-25	5.00	CARE A+; Credit Watch with Negative Implications
Tier II-Unsecured NCD	31-Mar-15	11.00%	30-Jun-20	14.00	CARE A+; Credit Watch with Negative Implications
Tier II-Unsecured NCD	31-Mar-15	11.00%	30-Jun-20	22.00	CARE A+; Credit Watch with Negative Implications
Tier II-Unsecured NCD	10-Mar-17	10.45%	10-Mar-24	75.00	CARE A+; Credit Watch with Negative Implications
Debt-Perpetual Debt	30-Dec-11	12.50%	-	37.50	CARE A; Credit Watch with Negative Implications
Commercial Paper	-	-	7-364 days	1500.00	CARE A1+; Credit Watch with Negative Implications

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Bonds-Secured Reedemable Bonds	LT	-	-	-	-	-	1)Withdrawn (05-May-16)
2.	Non-fund-based - ST-BG/LC	ST	1058.00	CARE A1+ (Under Credit watch with Negative Implications)	-	1)CARE A1+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A1+ (25-Sep-18) 3)CARE A1+ (06-Jul-18)	1)CARE A1+ (13-Jul-17) 2)CARE A1+ (24-Apr-17)	1)CARE A1+ (24-Mar-17) 2)CARE A1+ (14-Nov-16) 3)CARE A1+ (20-Jul-16)
3.	Debt-Non-convertible Debenture/Subordinate Debt	LT	-	-	-	1)Withdrawn (06-Jul-18)	1)CARE A+; Positive (13-Jul-17)	1)CARE A+; Stable (24-Mar-17) 2)CARE A+ (20-Jul-16)
4.	Debt-Non-convertible Debenture/Subordinate Debt	LT	100.00	CARE A+ (Under Credit watch with Negative Implications)	-	1)CARE AA- (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA-; Stable (06-Jul-18)	1)CARE A+; Positive (13-Jul-17)	1)CARE A+; Stable (24-Mar-17) 2)CARE A+ (20-Jul-16)
5.	Term Loan-Long Term	LT	4663.91	CARE AA- (Under Credit watch with Negative Implications)	-	1)CARE AA (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA; Stable (25-Sep-18) 3)CARE AA; Stable (06-Jul-18)	1)CARE AA-; Positive (13-Jul-17) 2)CARE AA-; Stable (24-Apr-17)	1)CARE AA-; Stable (24-Mar-17) 2)CARE AA- (14-Nov-16) 3)CARE AA- (20-Jul-16)
6.	Debt-Non-convertible Debenture/Subordinate Debt	LT	34.50	CARE A+ (Under Credit watch with Negative Implications)	-	1)CARE AA- (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA-; Stable (06-Jul-18)	1)CARE A+; Positive (13-Jul-17)	1)CARE A+; Stable (24-Mar-17) 2)CARE A+ (20-Jul-16)
7.	Debt-Non-convertible Debenture/Subordinate Debt	LT	20.80	CARE A+ (Under Credit watch with Negative	-	1)CARE AA- (Under Credit watch with Developing	1)CARE A+; Positive (13-Jul-17)	1)CARE A+; Stable (24-Mar-17) 2)CARE A+

				Implications)		Implications) (29-Jan-19) 2)CARE AA-; Stable (06-Jul-18)		(20-Jul-16)
8.	Fund-based - LT-Cash Credit	LT	12000.00	CARE AA- (Under Credit watch with Negative Implications)	-	1)CARE AA (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA; Stable (25-Sep-18) 3)CARE AA; Stable (06-Jul-18)	1)CARE AA-; Positive (13-Jul-17) 2)CARE AA-; Stable (24-Apr-17)	1)CARE AA-; Stable (24-Mar-17) 2)CARE AA- (14-Nov-16) 3)CARE AA- (20-Jul-16)
9.	Debt-Non-convertible Debenture/Subordinate Debt	LT	74.50	CARE A+ (Under Credit watch with Negative Implications)	-	1)CARE AA- (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA-; Stable (06-Jul-18)	1)CARE A+; Positive (13-Jul-17)	1)CARE A+; Stable (24-Mar-17) 2)CARE A+ (20-Jul-16)
10.	Bonds-Unsecured Reedemable	LT	-	-	-	-	-	1)Withdrawn (24-Mar-17) 2)CARE A+ (20-Jul-16)
11.	Debentures-Non Convertible Debentures	LT	20.00	CARE AA- (Under Credit watch with Negative Implications)	-	1)CARE AA (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA; Stable (06-Jul-18)	1)CARE AA-; Positive (13-Jul-17)	1)CARE AA-; Stable (24-Mar-17) 2)CARE AA- (14-Nov-16) 3)CARE AA- (20-Jul-16)
12.	Debt-Perpetual Debt	LT	37.50	CARE A (Under Credit watch with Negative Implications)	-	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A; Positive (13-Jul-17)	1)CARE A; Stable (24-Mar-17) 2)CARE A (20-Jul-16)
13.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (20-Jul-16)
14.	Debt-Non-convertible Debenture/Subordinate Debt	LT	-	-	-	1)Withdrawn (29-Jan-19) 2)CARE AA-; Stable (06-Jul-18)	1)CARE A+; Positive (13-Jul-17)	1)CARE A+; Stable (24-Mar-17) 2)CARE A+ (20-Jul-16)
15.	Debt-Non-convertible Debenture/Subordinate Debt	LT	35.00	CARE A+ (Under Credit watch with Negative	-	1)CARE AA- (Under Credit watch with Developing	1)CARE A+; Positive (13-Jul-17)	1)CARE A+; Stable (24-Mar-17) 2)CARE A+

				Implications)		Implications) (29-Jan-19) 2)CARE AA-; Stable (06-Jul-18)		(20-Jul-16)
16.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (06-Jul-18)	1)CARE AA-; Positive (13-Jul-17)	1)CARE AA-; Stable (24-Mar-17) 2)CARE AA- (20-Jul-16)
17.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (20-Jul-16)
18.	Debentures-Non Convertible Debentures	LT	64.16	CARE AA- (Under Credit watch with Negative Implications)	-	1)CARE AA (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA; Stable (06-Jul-18)	1)CARE AA-; Positive (13-Jul-17)	1)CARE AA-; Stable (24-Mar-17) 2)CARE AA- (20-Jul-16)
19.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (29-Jan-19) 2)CARE AA; Stable (06-Jul-18)	1)CARE AA-; Positive (13-Jul-17)	1)CARE AA-; Stable (24-Mar-17) 2)CARE AA- (20-Jul-16)
20.	LT/ST Instrument-Secured redeemable bonds	LT/ST	-	-	-	1)Withdrawn (29-Jan-19) 2)CARE AA; Stable / CARE A1+ (06-Jul-18)	1)CARE AA-; Positive / CARE A1+ (13-Jul-17)	1)CARE AA-; Stable / CARE A1+ (24-Mar-17) 2)CARE AA- / CARE A1+ (23-Aug-16)
21.	Debt-Non-convertible Debenture/Subordinate Debt	LT	22.00	CARE A+ (Under Credit watch with Negative Implications)	-	1)CARE AA- (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA-; Stable (06-Jul-18)	1)CARE A+; Positive (13-Jul-17)	1)CARE A+; Stable (24-Mar-17) 2)CARE A+ (20-Jul-16)
22.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (05-May-16)
23.	Bonds-Secured Reedemable Bonds	LT	-	-	-	-	-	1)Withdrawn (05-May-16)
24.	Bonds-Secured Reedemable Bonds	LT	-	-	-	-	-	1)Withdrawn (05-May-16)
25.	Debt-Subordinate Debt	LT	75.00	CARE A+ (Under Credit watch with Negative Implications)	-	1)CARE AA- (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA-; Stable (06-Jul-18)	1)CARE A+; Positive (13-Jul-17)	1)CARE A+; Stable (24-Mar-17)
26.	Commercial Paper	ST	1500.00	CARE A1+ (Under Credit	-	1)CARE A1+ (Under Credit	1)CARE A1+	-

				watch with Negative Implications)		watch with Developing Implications) (29-Jan-19) 2)CARE A1+ (06-Jul-18)	(26-Sep-17)	
27.	Debentures-Non Convertible Debentures	LT	150.00	CARE AA- (Under Credit watch with Negative Implications)	-	1)CARE AA (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA; Stable (06-Jul-18)	1)CARE AA-; Positive (09-Oct-17)	-
28.	Term Loan-Short Term	ST	-	-	-	1)CARE A1+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A1+ (25-Sep-18) 3)CARE A1+ (06-Jul-18)	-	-
29.	Debentures-Non Convertible Debentures	LT	300.00	CARE AA- (Under Credit watch with Negative Implications)	-	1)CARE AA (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE AA; Stable (13-Dec-18)	-	-

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Manaksia Steels Limited
June 28, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	**50.00**	**CARE A; Stable (Single A; Outlook: Stable)**	**Reaffirmed**
Short term Bank Facilities	**180.00 (reduced from 204.50)**	**CARE A1 (A One)**	**Reaffirmed**
Total Facilities	**230.00 (Rs. Two hundred thirty crore only)**		
Commercial Paper	**-**	**-**	**Withdrawn**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers
The ratings assigned to the bank facilities of Manaksia Steels Ltd (MSL) continue to draw strength from the long experience of the promoters in steel industry and comfortable capital structure & debt protection metrics. The above rating strengths are constrained by moderation in financial performance in FY19 (refers to period April 01 to March 31), moderate capacity utilization, geographical concentration risk, profitability susceptible to volatility in prices of raw-materials, exposure to foreign exchange fluctuation risk and working capital intensive nature of operations. Going forward, the ability of the company to diversify client base/geographical concentration, improve profitability margin and efficient management of working capital would remain the key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Strengths
Experienced promoters: MSL is promoted by Mr. Suresh Kumar Agrawal & family. Mr. Suresh Kumar Agrawal (Chemical Engineer) has an experience of about four decades in steel manufacturing industry. Mr. Varun Agrawal (B. Com and son of Mr. S. K. Agarwal) looks after the day-to-day affairs of the company along with the support of experienced professionals.

Comfortable capital structure & debt protection metrics: The capital structure of the company continued to remain comfortable. Overall gearing improved from 0.89x as on March 31, 2018 to 0.19x as on March 31, 2019. The debt protection metrics of the company also improved with Total Debt/GCA of 2.24x as on March 31, 2019 as against 6.98x as on March 31, 2018.

Key Rating Weaknesses
Moderation in financial performance in FY19: The total operating income of MSL increased y-o-y by 40% to Rs.688.71 crore in FY19. Although the PBILDT margin of the company declined from 7.54% in FY18 to 4.18% in FY19, interest coverage improved from 9.50x in FY18 to 10.56x in FY19. The company reported gross cash accruals of Rs.15.41 crore (vis-à-vis Rs.22.41 crore) as against nil debt repayment obligations.

Moderate capacity utilization: The total capacity utilization has remained moderate at 45% in FY19 vis-à-vis 44% in FY18. The company is not operating the galvanizing plant at Bankura in view of low demand for the product.

Geographical concentration risk: MSL's export revenue is mainly driven by supply of HR Coils to its group company based in Nigeria. In FY19, its share of turnover to Nigeria increased from 44% in FY18 to 52% in FY19.

Working capital intensive nature of operations: MSL's operation is working capital intensive in nature as it needs to provide certain credit period to its customers in view of general practice in the industry and stock inventories due to lead time involved in supply of raw material by the overseas supplier. MSL imports raw materials mainly from Japan, Hong Kong, Singapore, South Korea and China at the market rates through LC.

Profitability susceptible to volatility in the prices of raw materials: Raw material expense is the major cost driver for MSL, accounting for roughly ~80% of the total cost of manufacturing for FY19 (as against ~76% in FY18). The prices of raw-materials are highly volatile in nature due to commodity nature of product, whose prices are determined based on global

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

demand & supply. Given the volatility in raw material prices & lack of backward integration, the profitability of the company is susceptible to fluctuation in raw material prices.

Exposure to foreign exchange fluctuation risk: MSL imports majority (~91% in FY19) of its raw material requirement. MSL also derives a significant proportion of its revenue through exports (58% in FY19). The forex receivables are set off by the forex payables for the HR Coils imported. Thus the company is exposed to foreign exchange fluctuation risk to the extent of raw materials imported for the purpose of domestic manufacturing sales. Although MSL has a flexible forex policy and generally partially hedges it forex exposure through forward cover, the company reported forex loss of Rs.5.65 cr in FY19 vis-à-vis Rs.2.70 crore in FY18.

Industry Outlook: Flat steel production accounted for ~48% of total steel production during FY17 to 9MFY19. During FY16-FY18, flat steel consumption has grown at a CAGR of 10.9%. However the consumption growth of flat steel has decelerated to 5.9% in 9MFY19 vis-à-vis 13.3% in 9MFY18.
The steel demand & prices in China is expected to remain subdued due to trade tensions with US. Accordingly steel prices in India is expected to follow the Chinese trend and are likely to average lower by about 5% on y-o-y basis during FY20. However an increase of 5.5%-7.5% in domestic consumption during FY20 is expected to restrict any sharp fall in domestic prices.

Liquidity: Liquidity is marked by gross cash accruals of Rs.15 crore against nil repayment obligations. MSL had free cash & cash equivalents of Rs.25.50 crore as on March 31, 2019 the balance of which as on May 31, 2019 was Rs.52.90 crore. The liquidity position of the company has further improved due to efficient collection of debtors as exhibited by improvement in operating cycle from 100 days in FY18 to 57 days in FY19. The average working capital utilization of the company stood comfortably at 2.21% & 57.36% for fund based & non-fund based respectively for last 12 months ended May'2019. The unutilized bank lines are adequate to meet its incremental working capital needs over the next one year.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies
Criteria for Short Term Instruments
CARE's methodology for trading companies

About the Company
Manaksia Steels Ltd (MSL) was incorporated on June 07, 2001 by Kolkata based Mr. Suresh Kumar Agrawal & family. It was a dormant company till October 01, 2013 before the demerger of steel division of Manaksia Ltd. (ML) to MSL. MSL is engaged in manufacturing of cold rolled coils/sheets, galvanized plain & corrugated sheets and colour coated sheets. The company has a manufacturing capacity of 84,000 MTPA steel cold rolling products, 36,000 MTPA galvanizing plant and 24,000 MTPA colour coating line at Haldia and 30,000 MTPA galvanizing plant at Bankura. However, the Bankura plant is not currently operational.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	493.50	688.71
PBILDT	37.21	28.78
PAT	16.66	10.32
Overall gearing (times)	0.89	0.19
Interest coverage (times)	9.50	10.56

A: Audited
Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE A; Stable
Non-fund-based - ST-BG/LC	-	-	-	180.00	CARE A1
Commercial Paper	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	50.00	CARE A; Stable	-	1)CARE A; Stable (06-Jul-18)	1)CARE A; Stable (22-Sep-17)	1)CARE A; Stable (18-Jan-17) 2)CARE A (13-May-16)
2.	Non-fund-based - ST-BG/LC	ST	180.00	CARE A1	-	1)CARE A1 (06-Jul-18)	1)CARE A1 (22-Sep-17)	1)CARE A1 (18-Jan-17) 2)CARE A1 (13-May-16)
3.	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (18-Jan-17) 2)CARE A1 (13-May-16)
4.	Commercial Paper	ST	-	-	-	1)CARE A1 (06-Jul-18)	1)CARE A1 (22-Sep-17)	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Dighi Port Limited
June 28, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	777.09	**CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Based on best available information
Total	**777.09 (Rupees Seven Hundred Seventy Seven crore and Nine lakhs only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers
CARE has been seeking information from Dighi Port Limited to monitor the rating(s) vide e-mail communications and letters dated November 6, 2017, January 3, 2018, January 30, 2018, February 2, 2018, February 8, 2018 and June 06, 2019 along with numerous phone calls. The last e-mail communications/ letters seeking information are attached as Annexure A. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, DPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Dighi Port Limited's bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers
Key Rating Weaknesses

Delays in debt servicing: There are ongoing delays in debt servicing of due to cash flow mismatch.

Analytical approach: Standalone

Applicable Criteria
[Policy in respect of Non-cooperation by issuer]
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]

About the Company
Dighi Port Limited (DPL) has been promoted by Balaji Infra Projects Ltd (BIPL, holding 51.01%), Infrastructure Leasing & Financial Services Ltd (IL&FS, holding 39.37%) and Tara India Fund III LLC (5.46%) as a Special Purpose Vehicle (SPV) for the development of port at Dighi, Maharashtra. As per the Concession Agreement (CA) dated March 17, 2002 with Maharashtra Maritime Board (MMB), DPL would develop, design, finance, construct, operate and maintain the port on Build, Own, Operate, Share and Transfer (BOOST) basis for a period of 50 years. The port is located in the Rajpuri Creek, in Raigad District in the State of Maharashtra on the West Coast of India.

Dighi Port is being developed on the two banks of Rajpuri Creek
1. The South Bank (Dighi Side)
2. The North Bank (Agardanada Side)

The project suffered delay in implementation, cost overrun and unavailability of rail and road connectivity leading to underutilization of commissioned berth resulting in stressed liquidity position. DPL filed application to CDR cell on November 28, 2011 for restructuring of its loans aggregating Rs.802.60 crore and the same was approved on June 27, 2012 with the cut-off date of October 1, 2011. The corporate insolvency resolution process of DPL was admitted by the Mumbai Bench of NCLT in its order dated March 25, 2018, and in May, 2019 NCLT accepted the resolution plan submitted

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

by Jawaharlal Nehru Port Trust (JNPT) for Dighi Port. However, presently, as per directions of NCLT, JNPT is evaluating the modifications to the resolution plan for acceptability.

Brief Financials (Rs. crore)	FY15 (A)	FY16 (A)
Total operating income	22.10	26.20
PBILDT	22.70	29.50
PAT	26.90	71.90
Overall gearing (times)	3.2	2.6
Interest coverage (times)	0.70	0.90

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	702.09	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Term Loan-Long Term	-	-	-	75.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Term Loan-Long Term	LT	702.09	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18) 2)CARE D (11-Apr-17)	-
2.	Term Loan-Long Term	LT	75.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18) 2)CARE D (11-Apr-17)	-

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JK Tyre & Industries Ltd
June 28, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Commercial Paper issue*	300.00 (reduced from 900.00)	**CARE A1 (A One)**	**Revised from CARE A1+ (A One Plus)**

Details of instruments/facilities in Annexure-1
**carved out of the sanctioned fund-based working capital limits of the company.*

Detailed Rationale & Key Rating Drivers

CARE has taken a consolidated view of JK Tyre & Industries Limited (JKTI) in its analysis considering the enhanced debt in its subsidiaries and significant contribution from the same and also on account of strong operational linkages between JKTI & its subsidiaries.

The revision in the ratings for CP instrument of JKTI takes into account lower than expected cash accruals leading to low coverage & return indicators and slower than expected deleveraging at a consolidated level which has led to weakening of the JKTI's overall financial & liquidity profile. The rating revision also factors in the working capital intensive nature of its operations and exposure to foreign currency fluctuation risks, raw material prices volatility and competitive nature of the industry. Further, the ratings also factor in the weak auto industry demand scenario & the rising raw material (natural rubber) prices.

The ratings however continue to draw strength from the experienced promoters & JKTI's long track record of operations, its established market position in the Truck and Bus Radial (TBR) segment coupled with its wide marketing and distribution network. CARE has also taken into account that the levy of additional CVD duty on new Chinese TBR for a period of five years in addition to the anti-dumping duty on the Chinese imports shall help JKTI to further consolidate its market position in the TBR segment. Going forward the ability of the company to scale-up its operations as envisaged while improving its overall profitability and also the capital structure shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters and management: JK Group is one of the leading conglomerates and has business interests across the globe, spanning over 105 countries. The promoters have experience of around four decades in the tyre business. The company's operations are headed by Dr R P Singhania (the Chairman and Managing Director) who handles the day-to-day affairs. He is ably supported by a team of professionals in the day to day affairs.

Long-track record of operations: JKTI has been engaged in tyre manufacturing since 1975 and is among the leading tyre manufacturers in India. After pioneering Passenger Car Radialization (PCR) in1977, the company accelerated the pace of radialization in India and remains a market leader in the TBR segment. JKTI established its first tyre manufacturing facility in Kankroli, Rajasthan, in 1975 with an installed capacity of 5 lakh tyres per annum. As on March 31, 2019, the company had 9 plants in India with overall capacity of 24.10 million tyres p.a. & 3 plants in Mexico with a consolidated capacity of 32 million tyres p.a. Over the years, the company has received various accreditations and prestigious awards in respect of quality improvement and customer satisfaction.

Established brand with diversified product portfolio and wide distribution network: JKTI caters to the various user segments including Truck & Bus (both bias and radial tyres), LCV (bias & radial), PCR, farms, Off-the-road tyre (OTR) with highest revenue contribution from the TBR segment in JKTI & from PCR segment in JK Tornel. JKTI has a widespread distribution network across the country with about 4,500 dealers & 345 distributors. The company also has over 355 exclusive passenger car tyre retail outlets by the name of Steel Wheels and 114 Xpress Wheels for small town & semi urban markets which also caters to two-three wheelers. It also has 45 JK Tyre truck wheels (fully equipped tyre service centers offering total tyre solutions). Over the years, JKIL had taken several initiatives to improve the quality of service such as Fleet Management, 'JK Tyre Truck Wheels' service centers and 'JK Tyre Care' centers which offer one-stop solution for truck/bus tyre customers. JKTSA also has a distribution network of around 97 dealers & network of 144 third party distributors & 34 distributors for export, JKTSA has tied up with retail chains such as Walmart, Bodega and Tireco for selling its PCR through their outlets in Mexico as well as other parts of America.

Focus on high margin TBR segment with presence across market segments: JKTI has been focusing on TBR segment and has witnessed steady pace of radialization in the past few years. TBR segment commands around 20% premium over bias

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

tyres which has driven steady profitability despite fall in turnover in the past. There has been continued increase in revenue contribution from relatively higher margin radial tyres whose proportion in the overall revenue has increased from 46% in FY14 to 61% in FY19 (refers to period from April 01 to March 31).

Key Rating Weaknesses

Moderate financial risk profile: JKTI's total operating income largely comprises from the domestic (India) operations which accounts for approximately ~88% of the total revenue, the balance being contributed by JKTSA (Mexican Operations). JKTI's operating income (consolidated) registered a 25% increase in FY19 over FY18 with higher volumes across categories especially TBR, Passenger Cars & light truck radials. The Sale volumes have picked up at a consolidated level from 185.58 lakh tyres in FY18 to 221.81 lakh tyres in FY19 registering a 20% volume uptick. The PBILDT margins though improved marginally to 10.98% as compared to 9.34% in FY18 however they continue to remain low as against the envisaged levels. The interest cost has further increased by 12% y-o-y to Rs 521 crore in FY19 on account of continuous high debt & also the working capital facilities remaining almost fully utilized throughout the year. JKTI has moderate Interest coverage at 2.19x as on March 31, 2019 (PY: 1.67x) & total debt to gross cash accruals continue to remain high at 10.08x as on March 31, 2019 (PY: 15.69x). In FY19, JKTI posted net extraordinary income of Rs 49 crore lifting its overall profitability & further an exceptional expense of ~Rs 89 crore on account of foreign exchange (fx) loss due to Rupee & Mexican pesos depreciating against USD in FY19 and voluntary retirement scheme (VRS) expense (fx: Rs 83.22 crore & VRS: Rs 5.73 crore). JKTIL has over the last two years rationalized its work force in JK Tornel and CIL significantly, which lowered employee costs.
The gearing level continues to remain at elevated levels on account of the continuous debt-funded capex in the past, acquisition debt in the books of CIL besides other routine capex and aligning CIL's production standards with that of JKTI, high working capital borrowings and dealer deposits (classified as long-term liability and included in debt). As on March 31, 2019 the overall gearing level (including LC backed creditors & dealer deposits) at consolidated level stood at 3.01x as compared to the overall gearing of 3.45x as on March 31, 2018.
JKTI further is planning a capex of Rs 675 crore which will be largely debt funded over the next 2-3 years to add truck and bus radial (TBR) capacities and improve operational efficiency. While this would moderate the reduction in debt levels as against what was envisaged, timely capacity addition would however help the company to maintain its market share and strengthen its business risk profile.

Moderate Liquidity: Owing to the lower than envisaged profitability & cash accruals in FY19, the liquidity profile of JKTI has moderated. The average utilization at the maximum levels for the working capital facilities has also been 92% for 12 months ended March 2019, leaving little buffer in the cash credit lines. As on March 31, 2019, the total consolidated balance sheet debt stood at Rs 5758 crore (Mar 2018: Rs 5811 crore & Mar 2017: Rs 5655 crore). JKTI had a cash accrual of Rs 625 crore in FY19 & It has total debt repayment of Rs 536 crore in FY20. JKTI at a consolidated level also had a cash & bank balance of Rs 159.15 crore as on March 31, 2019. There was an equity infusion in JKTI by the promoters to the tune of Rs 200 crores in March 2019 which supported the gearing level marginally. These funds were infused by promoters via Bengal & Assam Co Ltd (holding entity for JKTI) by taking additional debt at the holding levels and the shares of JKTI to the extent of 16.24% of the total share capital of JK Tyre & Industries Ltd were pledged for the same.

Exposure to volatility in the raw material prices and exchange rate movement: Raw materials constitute around 60% of the total operating costs. Natural rubber is the major raw material for manufacturing tyres, constituting 50% of the total raw material costs. Rubber & Crude Oil are global commodities and prices vary across all international markets. The tyre business is highly sensitive to movement in rubber & crude oil prices. The average price of Natural Rubber in FY19 stood at Rs 127.26/kg in FY19 as against Rs 137.23/kg in FY18 and Rs 124.59/Kg in FY17.
Natural rubber prices witnesses a sharp surge in the recent months and has reached the Rs 150-mark (per kg) in June 2019 for the benchmark RSS-4 grade after hovering around Rs 124-136 per kg for the first five months in 2019. The rise is on account of domestic supply constraints and tracking uptrend in rubber markets abroad as well. The uptrend in demand from foreign funds and increase in spot prices in Thailand, the largest producer of natural rubber in the world, helped the rally in the international market. The adverse weather conditions and the decision of Thailand to increase domestic consumption helped prices to move up in that country. Last year, rubber production in Kerala, which accounts for over 80% of the domestic output**,** was affected as the excessive rains and floods in the state led to spread of disease across plantations. The disease led to abnormal fall of leaves and affected production.
The current shortage of supply of natural rubber and carbon black for the domestic tyre industry may put pressures on the margins of the tyre makers in the medium term. The risk of sudden spurts of raw material affecting the profitability of the manufacturer is inherent to the structure of tyre industry. Tyre makers may take a price hike in the near future to support their margins, however any impact of the increased cost & prices increase shall remain critical for the industry.
Further, JKTI has exports, though limited as compared to imports along with foreign currency loan/borrowings (FCL), which exposes it to exchange rate fluctuation risks. With the presence of natural hedge it is able to mitigate some risk,

however it remains exposed to foreign exchange fluctuation risks. JKTI booked a foreign exchange loss of Rs 83.22 crore in FY19 at a consolidated level due to rupee depreciation in H1FY19 as against an income in FY18 for Rs 4.28 crore. JKTI has a practice of partially hedging its net foreign exposure from time to time. In light of the foregoing, the company remains exposed to volatility in forex rates and the management of forex risks remains crucial.

Industry Outlook: India is one of the largest automobile markets in the world, which makes the country one of the leading markets for tyres. The tyre industry is directly affected by the performance of the automobile industry, which, in turn, depends on the overall economic growth. Further, the replacement segment is the largest demand segment of the industry. In the last few years, movement in tyre production and sales for the OEM market has been in line with the automobile sales for the period. FY19 turned out to be a mixed bag for the domestic automobile industry. While the commercial vehicle industry registered growth, passenger vehicle manufacturers struggled, especially in the second half of the year. Crude oil prices started rising from March onwards and went up by over 45 per cent year-on-year between April-October 2018 as compared to the same period last year. Further, change in regulations in insurance, new axle load norms, etc sales started declining. While PV showed growth in the first part of the year, the challenge arose in keeping the trend on account of a high base in FY18. The speed of growth slowed down towards the end of the calendar year across segment with the fuel price increase, NBFC issues and high interest rates. In preparation of the new regulations with the transition from BS IV to BS VI fuel by April 2020, manufacturers may also hold back some new product introductions. At the same time, there will be some advancement of purchases in the last few months of the current financial year. Tyre companies have been hit with a double whammy as demand for tyres is stagnant due to the slowdown in auto sales and raw material prices have also started rising recently.
The increase in natural rubber prices will come with a lag effect, and would impact the tyre makers next quarter onwards. As far as the slowdown in tyre demand is concerned, while there is reduced demand from the OEMs, the replacement market shall however make up for the same. Replacement segment accounts for 59 per cent in the company's total tyre production whereas OEM share was 27 per cent and balance share is from exports.
JKTI plans to leverage its processes & brand to capture a major share in the said market over a period of time. There is an intense competition in the tyre industry. However, the established position of group provides relative insulation against the same.

Analytical approach

Consolidated – CARE has taken a consolidated approach in analyzing the overall credit profile of JK Tyre & Industries Ltd owing to strong operational linkages with its subsidiaries which are present in the same line of business.

Companies consider under consideration	Subsidiary/Associate	% of share held
J.K. International Ltd	Subsidiary	100
J.K. Asia Pacific Ltd.	Subsidiary	100
J.K. Asia Pacific (S) Pte. Ltd.	Subsidiary	100
Lankros Holdings Ltd	Subsidiary	100
Sarvi Holdings Switzerland AG	Subsidiary	100
JK Tornel S.A. de C.V	Subsidiary	99.96
Comercializadora America Universal, S.A. de C.V.	Subsidiary	99.96
Compania Hulera Tacuba, S.A. de C.V.	Subsidiary	99.96
Compania Hulera Tornel, S.A. de C.V	Subsidiary	99.96
Compania Inmobiliaria Norida, S.A. de C.V.	Subsidiary	99.96
General de Inmuebles Industriales, S.A. de C.V.	Subsidiary	99.96
Gintor Administracion, S.A. de C.V	Subsidiary	99.96
Hules Y Procesos Tornel, S.A. de C.V	Subsidiary	99.96
Cavendish Industries Ltd.	Subsidiary	80
3DInnovations Private Ltd	Subsidiary	100
Dwarkesh Energy Ltd.	Associate	35
Hari Shankar Singhania Elastomer and Tyre Research Institute(HASETRI)	Associate	24
Valiant Pacific LLC	Associate	49
Western Tire Holdings, Inc	Associate	40

Applicable Criteria
[CARE's Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[CARE's methodology for Short-term Instruments]
[CARE's Methodology for manufacturing companies]
[CARE's Methodology for factoring linkages in ratings]
[Financial ratios – Non-Financial Sector]

About the Company
JKTI, the flagship company of the JK group, is headed by Dr R P Singhania as its chairman and managing director. It is a one of the leading tyre manufacturers in India and amongst the top 25 manufacturers in the world with a wide range of products catering to diverse business segments that includes Truck/Bus, LCV (Light commercial vehicles), Passenger Cars, MUV (Multi utility vehicles) and Tractors. JKTI has a global presence in 100 countries with nine plants in India and three in Mexico, with total consolidated capacity of 32 million tyres per annum.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income [(2)]	8,311.06	10,397.45
PBILDT	776.02	1141.60
PAT	63.32	170.57
Overall gearing (times)^	3.45	3.01
Interest coverage (times)	1.67	2.19

A: Audited
[(2)]Does not include one-time income of Rs 102 Crores in FY18 & Rs 48 crore in FY19.
^Including Dealer Deposits

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Carved out)	-	-	7 to 364 days	300.00	CARE A1

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based-Long Term	LT	1700.00	-	-	1)CARE A+; Negative (05-Oct-18)	1)CARE A+; Stable (11-Aug-17) 2)CARE AA-; Negative (05-Apr-17)	1)CARE AA-; Stable (01-Dec-16) 2)CARE AA- (22-Sep-16)
2.	Non-fund-based - ST-BG/LC	ST	1000.00	-	-	1)CARE A1+ (05-Oct-18)	1)CARE A1+ (11-Aug-17) 2)CARE A1+ (05-Apr-17)	1)CARE A1+ (01-Dec-16) 2)CARE A1+ (22-Sep-16)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	350.00	-	-	1)CARE A+; Negative / CARE A1+ (05-Oct-18)	1)CARE A+; Stable / CARE A1+ (11-Aug-17) 2)CARE AA-; Negative / CARE A1+ (05-Apr-17)	1)CARE AA-; Stable / CARE A1+ (01-Dec-16) 2)CARE AA- / CARE A1+ (22-Sep-16)
4.	Term Loan-Long Term	LT	1958.98	-	-	1)CARE A+; Negative (05-Oct-18)	1)CARE A+; Stable (11-Aug-17) 2)CARE AA-; Negative (05-Apr-17)	1)CARE AA-; Stable (01-Dec-16) 2)CARE AA- (22-Sep-16) 3)CARE AA- (14-Jun-16)
5.	Fund-based - ST-Term loan	ST	100.00	-	-	1)CARE A1+ (05-Oct-18)	1)CARE A1+ (11-Aug-17) 2)CARE A1+ (05-Apr-17)	1)CARE A1+ (01-Dec-16) 2)CARE A1+ (22-Sep-16)
6.	Commercial Paper-Commercial Paper (Carved out)	ST	300.00	CARE A1	-	1)CARE A1+ (05-Oct-18)	1)CARE A1+ (11-Aug-17) 2)CARE A1+ (05-Apr-17)	1)CARE A1+ (16-Feb-17) 2)CARE A1+ (21-Dec-16) 3)CARE A1+ (01-Dec-16) 4)CARE A1+ (22-Sep-16)
7.	Commercial Paper	ST	-	-	1)Withdrawn (09-Apr-19)	1)CARE A1+ (05-Oct-18)	1)CARE A1+ (11-Aug-17) 2)CARE A1+ (05-Apr-17)	1)CARE A1+ (01-Dec-16) 2)CARE A1+ (22-Sep-16) 3)CARE A1+ (04-May-16)
8.	Fixed Deposit-FD (Long-term)/ FD (Short-term)	LT/ST	140.00	-	-	1)CARE A+; Negative /	1)CARE A+ (FD); Stable	1)CARE AA- (FD); Stable

						CARE A1+ (05-Oct-18)	/ CARE A1+ (FD) (11-Aug-17) 2)CARE AA- (FD); Negative / CARE A1+ (FD) (05-Apr-17)	/ CARE A1+ (FD) (01-Dec-16) 2)CARE AA- (FD) / CARE A1+ (FD) (22-Sep-16) 3)CARE AA- (FD) / CARE A1+ (FD) (04-May-16)

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

HDB Financial Services Limited
June 28, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Proposed Non-convertible Debentures	15,000	**CARE AAA; Stable (Triple A; Outlook: Stable)**	**Assigned**
Proposed Market Linked Debentures	2,000	**CARE PP-MLD AAA; Stable (PP-MLD Triple A; Outlook: Stable)**	**Assigned**
Bank Loan Ratings	25,000 (enhanced from 20,000	**CARE AAA; Stable (Triple A; Outlook: Stable)**	**Reaffirmed**
Perpetual Debt	1000 (enhanced from 500)	**CARE AAA; Stable (Triple A; Outlook: Stable**	**Reaffirmed**
Commercial Paper	12,500 (enhanced from 10000)	**CARE A1+ [A1 plus]**	**Reaffirmed**
Total	**55,500.0 (Rupees Fifty Five Thousand and Five hundred Crores only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

*The ratings factor in the strength that HDB Financial Services Ltd (HDBFS) derives from its parent, HDFC Bank Ltd (HBL; rated '**CARE AAA; Stable', 'CARE A1+'**) in the form of financial and operational support. The ratings are also supported by good financial performance as well as comfortable asset quality & capitalization of HDBFS. The ratings also take into consideration HDBFS's comfortable liquidity position, diversified resource profile, and experienced management. Continued support from HBL, credit profile of HBL, asset quality, capital adequacy and profitability of HDBFS are key rating sensitivities.*

Detailed description of the key rating drivers
Key Rating Strengths
Financial & managerial support and operational linkages with HDFC Bank
HDBFS has strong financial and operational linkage from HBL (rated '**CARE AAA; Stable', 'CARE A1+'**). HBL owns majority of shareholding (95.53% as on March 31, 2019) in HDBFS. Senior personnel from HBL have representation on Board of Directors of HDBFS as well as various Board level committees. HDBFS has strong brand linkages with the group. HDBFS also support HBL for sourcing and collection of latter's retail loan portfolio.

Good financial performance
Portfolio of HDBFS has shown strong growth over the years with AUM increasing by 25% to Rs.55,425 crore as on March 2019 as against Rs. 44,469 crore as on March 2018. With an increase in AUM, the total income for FY19 increased by 24% to Rs.8,725 crore. Despite higher provisioning in FY19 (increase of ~22% over FY18) and a significant increase of ~36% in interest outflow, PAT in FY19 was Rs.1,153 crore, registering a growth of 23.60% over FY18. This was mainly due to increased operational leverage, which is evident from reduction in operational expenses as a percentage of average assets, which stood at 5.85% for FY19 (FY18:6.85%). It was further augmented by reduction in provisions and write offs, which, as a percentage of average total assets came down to 1.25%, from 1.33%, for FY18.
Return on total assets has reduced by 11 bps in FY19to 2.26% (FY18: 2.37%).

Comfortable asset quality
Asset quality remains at comfortable level with Gross and Net NPA at 1.78% and 1.12% respectively as on March 31, 2019 (FY18: GNPA 1.58%, NNPA 0.96%). Net NPA to tangible net-worth increased to 9.20% as on March 31, 2019 as against 7.41% as on March 31, 2018. Due to increase in provisioning, Provision Coverage Ratio as on March 31, 2019 stood at 37.08% (FY18: 39.24%).

Comfortable capitalization
Regular capital infusion by HBL, coupled with internal accruals has helped HDBFS to maintain comfortable capital adequacy ratio (CAR) at 17.91% with Tier-I CAR at 12.78% as on March 31, 2019 (FY18: CAR – 18.01%, Tier-I CAR – 12.79%).

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[1]*Complete definition of the rating assigned are available at www.careratings.com and other CARE publications.*

Healthy share of secured loan portfolio
HDBFS offers secured loans - loan against property (LAP), commercial vehicle & construction equipment financing (CV & CE), gold loans, loan against securities and unsecured loan – personal loan. Secured loan portfolio stood at 75.41% of total portfolio as on March 31, 2018 (FY18- 78.1%). Loan against Property (LAP) constituted 34.53% of outstanding portfolio as on March 31, 2019, asset finance accounted for 40.75% of loan book at the end of FY19.

Analytical approach: CARE has analyzed the standalone credit profile of HDBFS along with its strong operational and managerial linkages with its parent, HDFC Bank Ltd.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE Policy on Default Recognition
Non Banking Financial Companies
Financial ratios - Financial Sector
Factor Linkages in Ratings
CARE's criteria on Short Term Instruments

Liquidity Position
HDBFS has been able to manage its liquidity profile by maintaining adequate liquid investments and back up lines of credit. Further, the company has been able to maintain good asset quality which ensures regular cash inflows from its loan portfolio. As on March 31, 2019, the company's ALM profile showed cumulative positive mismatches up to 1 year bucket considering the contractual maturity of the inflows and outflows on account of CP redemptions. Along with that, HDBFS has a strong resource raising ability which further provides comfort. As March 31, 2019, HDBFS had cash and liquid investments of Rs.1082.4 crore.

About the Company
HDB Financial Services Ltd (HDBFS) is a subsidiary of HDFC Bank (HBL) with shareholding of 95.53% as on March 31, 2019. HDBFS was incorporated in June 2007 and commenced its lending operations in March 2008. HDBFS continues to benefit from HBLs experience in the financial sector. The operations of the company are handled by Mr. G Ramesh, Managing Director, who is assisted by a team of qualified and experienced professionals. In addition, HDBFS has the advantage of leveraging on the expertise of senior management of HBL which has representation on the board of HDBFS.
HDBFS is a loan company which offers various retail loans like Loan against property (LAP), Commercial Vehicle (CV) and Construction Equipment (CE) financing, gold loan, personal loans, etc. The company operates through network of 1350 operational branches (as on March 31, 2019), located in 961 cities. The company is a corporate agent for HDFC Standard Life Insurance Company and HDFC Ergo General Insurance to distribute their insurance products.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	7,025	6,712
PAT	933	1,153
Interest coverage (times)	1.59	1.52
Total Net Assets	45,447	56,540
Net NPA (%)	0.96	1.12
ROTA (%)	2.37	2.26

A: Audited (Figures as per Ind AS)

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	--	--	7 days to 1 year	12,500	CARE A1+
Proposed Debentures-Non Convertible Debentures	-	-	-	15,000.00	CARE AAA; Stable
Proposed Debentures-Market Linked Debentures	-	-	-	2,000.00	CARE PP-MLD AAA; Stable
Bank Facilities - Fund Based - Long Term	--	--	--	15,368.47	CARE AAA; Stable
Bank Facilities - Fund Based - Long Term (Proposed)	--	--	--	9,631.53	CARE AAA; Stable
Debt- Perpetual Debt	6 August, 2018	9..40%	--	200	CARE AAA; Stable
Debt- Perpetual Debt	7 September, 2017	9.15%	--	100	CARE AAA; Stable
Debt- Perpetual Debt (Proposed)	--	--	--	700	CARE AAA; Stable

Annexure-2: Rating History of last three years

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	--	--	7 days - 1 year	12,500	CARE A1+
Debentures-Market Linked Debentures(Proposed)	--	--	--	2,236.10	CARE PP MLD AAA; Stable
Debentures-Market Linked Debentures	08-02-2019	Market Linked	31-07-2020	300	CARE PP MLD AAA; Stable
Debentures-Market Linked Debentures	01-03-2019	Market Linked	04-02-2021	338.90	CARE PP MLD AAA; Stable
Debentures-Market Linked Debentures	13-06-2019	Market Linked	04-06-2021	125	CARE PP MLD AAA; Stable
Debentures-Non Convertible Debentures(Proposed)	--	--	--	27,910	CARE AAA; Stable
Bank Facilities - Fund Based - Long Term	--	--	31-01-2024	15368.47	CARE AAA; Stable
Bank Facilities - Fund Based - Long Term (Proposed)	--	--	--	9631.53	CARE AAA; Stable
Debt- Perpetual Debt	06-08-2018	9..40%	--	200	CARE AAA; Stable
Debt- Perpetual Debt	07-09-2017	9.15%	--	100	CARE AAA; Stable
Debt- Perpetual Debt (Proposed)	--	--	--	700	CARE AAA; Stable

Debentures Sub debt (Proposed)	--	--	--	585	CARE AAA; Stable
Debentures-Non Convertible Debentures	31-07-2014	9.56%	31-07-2019	150	CARE AAA; Stable
Debentures-Non Convertible Debentures	03-06-2016	8.69%	03-07-2019	130	CARE AAA; Stable
Debentures-Non Convertible Debentures	14-06-2016	8.66%	13-03-2020	100	CARE AAA; Stable
Debentures-Non Convertible Debentures	14-06-2016	8.65%	13-09-2019	200.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	27-07-2016	8.40%	29-07-2019	175	CARE AAA; Stable
Debentures-Non Convertible Debentures	03-08-2016	Zero Coupon	12-09-2019	100	CARE AAA; Stable
Debentures-Non Convertible Debentures	10-08-2016	8.30%	09-08-2019	200	CARE AAA; Stable
Debentures-Non Convertible Debentures	01-09-2016	8.06%	02-03-2020	260	CARE AAA; Stable
Debentures-Non Convertible Debentures	15-09-2016	7.95%	17-09-2019	102	CARE AAA; Stable
Debentures-Non Convertible Debentures	15-09-2016	Zero Coupon	16-12-2019	100	CARE AAA; Stable
Debentures-Non Convertible Debentures	28-09-2016	Zero Coupon	27-09-2019	200	CARE AAA; Stable
Debentures-Non Convertible Debentures	28-09-2016	7.90%	27-09-2019	100	CARE AAA; Stable
Debentures-Non Convertible Debentures	27-10-2016	7.78%	25-10-2019	135	CARE AAA; Stable
Debentures-Non Convertible Debentures	08-11-2016	7.97%	06-12-2019	300	CARE AAA; Stable
Debentures-Non Convertible Debentures	01-12-2016	7.50%	03-01-2020	215	CARE AAA; Stable
Debentures-Non Convertible Debentures	17-01-2017	7.68%	27-01-2020	110	CARE AAA; Stable
Debentures-Non Convertible Debentures	17-01-2017	7.67%	17-02-2020	100	CARE AAA; Stable
Debentures-Non Convertible Debentures	25-01-2017	Zero Coupon	20-03-2020	300	CARE AAA; Stable
Debentures-Non Convertible	31-01-2017	7.71%	24-02-2020	200	CARE AAA; Stable

Debentures					
Debentures-Non Convertible Debentures	22-02-2017	7.82%	24-02-2020	260	CARE AAA; Stable
Debentures-Non Convertible Debentures	26-04-2017	7.76%	26-05-2020	135	CARE AAA; Stable
Debentures-Non Convertible Debentures	11-05-2017	7.83%	11-06-2020	100	CARE AAA; Stable
Debentures-Non Convertible Debentures	11-05-2017	Zero Coupon	08-07-2020	125	CARE AAA; Stable
Debentures-Non Convertible Debentures	18-05-2017	7.80%	18-06-2020	100	CARE AAA; Stable
Debentures-Non Convertible Debentures	29-05-2017	7.80%	29-06-2020	300	CARE AAA; Stable
Debentures-Non Convertible Debentures	13-06-2017	7.63%	28-06-2019	150	CARE AAA; Stable
Debentures-Non Convertible Debentures	13-06-2017	7.70%	12-06-2020	200	CARE AAA; Stable
Debentures-Non Convertible Debentures	19-06-2017	7.55%	19-06-2020	375	CARE AAA; Stable
Debentures-Non Convertible Debentures	18-07-2017	7.52%	17-08-2020	500	CARE AAA; Stable
Debentures-Non Convertible Debentures	27-07-2017	7.43%	28-09-2020	400	CARE AAA; Stable
Debentures-Non Convertible Debentures	28-08-2017	7.28%	28-08-2019	400	CARE AAA; Stable
Debentures-Non Convertible Debentures	08-09-2017	7.30%	08-09-2020	400	CARE AAA; Stable
Debentures-Non Convertible Debentures	20-09-2017	Zero Coupon	20-10-2020	400	CARE AAA; Stable
Debentures-Non Convertible Debentures	18-10-2017	7.50%	18-11-2020	500	CARE AAA; Stable
Debentures-Non Convertible Debentures	31-10-2017	7.42%	31-10-2019	200	CARE AAA; Stable
Debentures-Non Convertible Debentures	06-12-2017	7.63%	07-12-2020	800	CARE AAA; Stable
Debentures-Non Convertible Debentures	15-01-2018	7.94%	15-04-2021	145	CARE AAA; Stable
Debentures-Non Convertible	16-03-2018	Zero Coupon	10-05-2021	373	CARE AAA; Stable

Debentures					
Debentures-Non Convertible Debentures	16-03-2018	Zero Coupon	06-04-2021	299	CARE AAA; Stable
Debentures-Non Convertible Debentures	01-06-2018	Zero Coupon	08-06-2021	663	CARE AAA; Stable
Debentures-Non Convertible Debentures	27-06-2018	8.81%	07-07-2021	215	CARE AAA; Stable
Debentures-Non Convertible Debentures	27-06-2018	Zero Coupon	27-12-2019	450	CARE AAA; Stable
Debentures-Non Convertible Debentures	11-07-2018	8.52% (Linked to 91 days T-bill Benchmark Rate)	12-07-2021	575	CARE AAA; Stable
Debentures-Non Convertible Debentures	16-08-2018	8.70%	14-08-2020	360	CARE AAA; Stable
Debentures-Non Convertible Debentures	31-08-2018	8.82%	09-09-2021	552	CARE AAA; Stable
Debentures-Non Convertible Debentures	17-10-2018	Zero Coupon	29-10-2021	701	CARE AAA; Stable
Debentures-Non Convertible Debentures	26-10-2018	9.35%	25-03-2022	449.5	CARE AAA; Stable
Debentures-Non Convertible Debentures	02-11-2018	9.38%	15-06-2020	385	CARE AAA; Stable
Debentures-Non Convertible Debentures	22-11-2018	9.26%	24-02-2020	500	CARE AAA; Stable
Debentures-Non Convertible Debentures	22-11-2018	0.091756	13-12-2019	350	CARE AAA; Stable
Debentures-Non Convertible Debentures	03-12-2018	Zero Coupon	05-04-2022	500	CARE AAA; Stable
Debentures-Non Convertible Debentures	21-12-2018	Zero Coupon	05-04-2022	361.2	CARE AAA; Stable
Debentures-Non Convertible Debentures	28-12-2018	Zero Coupon	08-07-2020	125	CARE AAA; Stable
Debentures-Non Convertible Debentures	28-12-2018	7.55%	19-06-2020	285	CARE AAA; Stable
Debentures-Non Convertible Debentures	10-01-2019	Zero Coupon	08-07-2020	200	CARE AAA; Stable
Debentures-Non Convertible Debentures	10-01-2019	8.80%	10-08-2020	245	CARE AAA; Stable
Debentures-Non Convertible	23-01-2019	Zero Coupon	20-10-2020	200	CARE AAA; Stable

Debentures					
Debentures-Non Convertible Debentures	23-01-2019	7.63%	07-12-2020	300	CARE AAA; Stable
Debentures-Non Convertible Debentures	23-01-2019	Zero Coupon	05-04-2022	57.5	CARE AAA; Stable
Debentures-Non Convertible Debentures	23-01-2019	8.83%	04-05-2022	386.9	CARE AAA; Stable
Debentures-Non Convertible Debentures	21-02-2019	Zero Coupon	05-04-2022	111	CARE AAA; Stable
Debentures-Non Convertible Debentures	21-02-2019	8.71%	18-02-2021	250	CARE AAA; Stable
Debentures-Non Convertible Debentures	14-03-2019	Zero Coupon	05-04-2022	290	CARE AAA; Stable
Debentures-Non Convertible Debentures	14-03-2019	8.71%	18-02-2021	500	CARE AAA; Stable
Debentures-Non Convertible Debentures	14-03-2019	8.80%	14-03-2022	290	CARE AAA; Stable
Debentures-Non Convertible Debentures	03-05-2019	8.55%	17-06-2022	225	CARE AAA; Stable
Debentures-Non Convertible Debentures	17-05-2019	Zero Coupon	08-06-2021	97	CARE AAA; Stable
Debentures-Non Convertible Debentures	17-05-2019	8.71%	17-05-2021	365	CARE AAA; Stable
Debentures-Non Convertible Debentures	30-05-2019	8.71%	17-05-2021	300	CARE AAA; Stable
Debentures-Non Convertible Debentures	21-06-2019	8.55%	17-06-2022	305	CARE AAA; Stable
Debentures-Sub Debt	09-08-2012	10.2	09-08-2022	250	CARE AAA; Stable
Debentures-Sub Debt	30-11-2012	9.7	30-11-2022	150	CARE AAA; Stable
Debentures-Sub Debt	22-03-2013	9.6	22-03-2023	200	CARE AAA; Stable
Debentures-Sub Debt	18-10-2013	10.2	17-10-2023	100	CARE AAA; Stable
Debentures-Sub Debt	20-12-2013	10.05	20-12-2023	50	CARE AAA; Stable
Debentures-Sub Debt	18-03-2014	10.19	18-03-2024	80	CARE AAA; Stable
Debentures-Sub Debt	20-06-2014	9.7	20-06-2024	200	CARE AAA; Stable
Debentures-Sub Debt	13-11-2014	9.55	13-11-2024	100	CARE AAA; Stable
Debentures-Sub	17-11-	9.55	15-11-	200	CARE AAA; Stable

Debt	2014		2024		
Debentures-Sub Debt	22-07-2016	8.79	22-07-2026	220	CARE AAA; Stable
Debentures-Sub Debt	06-12-2016	8.05	04-12-2026	170	CARE AAA; Stable
Debentures-Sub Debt	01-02-2018	8.42	01-02-2028	150	CARE AAA; Stable
Debentures-Sub Debt	21-02-2018	8.45	21-02-2028	130	CARE AAA; Stable
Debentures-Sub Debt	27-07-2018	9.05	27-07-2028	250	CARE AAA; Stable
Debentures-Sub Debt	15-11-2018	9.7	15-11-2028	350	CARE AAA; Stable
Debentures-Sub Debt	07-06-2019	8.85	07-06-2029	315	CARE AAA; Stable

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Cox and Kings Limited
June 28, 2019

Ratings

Facilities	**Amount (Rs. crore)**	**Rating**[1]	**Rating Action**
Issuer Rating#	-	CARE BB(Is); Stable [Double B(Issuer Rating); Outlook:Stable]	Revised from CARE AA- (Is); Stable[Double A Minus (Issuer Rating);Outlook: Stable]
Long-term Bank Facilities	1,760	CARE BB; Stable [Double B; Outlook: Stable]	Revised from CARE AA-: Stable [Double A Minus, Outlook:Stable]
Total Facilities	**1,760 (Rupees One thousand Seven hundred and Sixty crore only)**		
Non-convertible Debentures	**525 (Rupees Five hundred and twenty five crore only)**	CARE BB; Stable [Double B; Outlook: Stable]	Revised from CARE AA-; Stable [Double A Minus, Outlook:Stable]
Commercial Paper issue	**375 (Rupees Three hundred Seventy Five crore only)**	CARE D [Single D]	Revised from CARE A1+ [A One Plus]
Commercial Paper Issue (carved out)*	**1,685 (Rupees One thousand Six hundred and eighty five crore only)**	CARE A4 [A Four]	Revised from CARE A1+ [A One Plus]

Details of instruments/facilities in Annexure-1
#The Issuer Rating would be subject to overall gearing not exceeding 1.01x times (Level as of 31st March 2018)
**Carved out of the sanctioned working capital limits of the company*

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to Cox and Kings Limited (C&K) takes into account a recent instance of delay in servicing of its commercial paper. The company has defaulted in repayment of its commercial paper of Rs.150 crore due on June 26th 2019. At the time of the review exercise undertaken by CARE on June 11, 2019, the company had reported cash and bank balance of ~Rs.1726 crore (Rs.1830 crore on consolidated basis and Rs.720 cr. on standalone books as on 31.3.2019 as per abridged audited numbers) of which the company had confirmed to CARE about availability of approx Rs.1300 crore of cash which can be deployed at any point of time for debt repayment. The company had outstanding standalone CPs of Rs.345 cr and scheduled long term debt repayments of Rs.176 crore in FY20. As such, the cash available seemed to be more than sufficient to meet the debt obligations. Hence, there seems to be an apparent mismatch in data provided by the company which fails to explain the default despite presence of sufficient liquidity.

In addition, the company had strong financial risk profile as depicted by an overall gearing of 0.74x as on March 31, 2019 (1.03x as on March 31, 2018) and interest coverage ratio of 2.81x in FY19 (3.25x in FY18).

The ratings for other bank facilities/ NCD has been revised on account of above instance. The other issues raised by CARE in its press release dated June 11, 2019 viz. high receivables position as on March 31st2019, lower than anticipated reduction in debt levels as on March 31st 2019, continued high level of pledged shares by promoters and reduced financial flexibility as a result of continuing decline in C&K's market capitalization continue to constrain the ratings.

The company is planning to monetize its international business by the end of calendar year 2019 which is expected to lead to significant reduction of debt and improvement in the capital structure of the company going forward. The timeliness, adequacy of the asset monetisation and the subsequent reduction in debt remains the key rating monitorable.

Detailed description of the key rating drivers

Key Rating Weaknesses

Increase in receivables:

The company has seen significant increase in receivables (increased from Rs.1524 crore as on 31.3.2018 to Rs.2031 crore as on 31.3.2019 in the standalone business).

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Pledge of promoter shares: The promoters holding in C&K is 49.8% as of end of March 2019 (49.34% as at March 2018) of which 63.28% shares are pledged as of March 2019 (62.62% in March 2018). C&K's share price has also declined significantly thus curtailing C&K's financial flexibility to large extent.

Key Rating Strengths

Long & established track record of operations: C&K has an established track record of over 260 years in the tours and travel industry with strong brand recognition globally. C&K manages its majority of business operations through subsidiaries/JVs/associates spread over in countries like United Kingdom, Japan, Australia, United States of America, etc.

Liquidity
C&K had reported free cash and bank balance of around Rs.1830 crore as of 31.3.2019 and also confirmed availability of Rs.1726 crore cash and bank balance as of 4th June 2019. The Company has short term obligations wrt standalone CP of Rs, 345 crs and long term debt obligations of Rs.176 crore in FY 20 and Rs.292 crore in FY21. The Company's working capital facilities had been utilized at an average of 81% in the last 12 months.

Analytical approach: Consolidated

Applicable Criteria:
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Service Sector Companies
Financial ratios – Non-Financial Sector

About the Company
Incorporated in 1939 as Eastern Carrying Company Limited, Cox & Kings Limited (C&K) is an international tour and travels company with operations spread over 22 countries. The company is managed by Mr. A B M Good and Mr. Peter Kerkar, both having vast experience in tourism industry. C&K has three major business segments, Leisure-India, Leisure- International and Meininger and are operated through subsidiaries (including step down), associates and joint ventures and are largely concentrated in India and Europe region (including United Kingdom- UK). In 2011 C&K acquired Holiday break UK (HBR)- a leading tour operator in niche segments like education, adventure and camping. In January 2019 the company sold its education business to Midlothian Capital Partners (MCP), a leading UK-based investor for all-cash enterprise value of GBP 467 million (Rs.4,387 crores). C&K also received approval from the National Company Law tribunal to demerge its foreign exchange business and the Scheme became effective on 12th September 2018. All assets and liabilities pertaining to the foreign exchange business were transferred w.e.f April 01, 2017.

Brief Financials (Rs. crore)	*FY18 (A)	*FY19(A)
Total operating income	5,034.37	5,785.98
PBILDT	772.04	689.53
PAT	429.67	1,689.65**
Overall gearing (times)	1.01	0.74
Interest coverage (times)	3.25	2.81

**Abridged and restated since the forex business has been demerged into a wholly owned subsidiary CKFSL wef April 01, 2017.*
***Including extraordinary profit on sale of education business; A: Audited*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	1685.00	CARE BB; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	75.00	CARE BB; Stable
Issuer Rating-Issuer Ratings	-	-	-	0.00	CARE BB (Is); Stable
Debentures-Non Convertible Debentures			Proposed NCD	275.00	CARE BB; Stable
Debentures-Non Convertible Debentures INE008I07338	18th Jan 2019	10.00%	15th November 2021	50.00	CARE BB; Stable
Debentures-Non Convertible Debentures INE008I08138	5th Feb 2019	9.00%	4th February 2022	200.00	CARE BB; Stable
Commercial Paper	-	-	7days to 364 days	375.00	CARE D
Commercial Paper(carved out from working capital)	-	-	7days to 364 days	1685.00	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Commercial Paper	ST	375.00	CARE D	1)CARE A1+ (11-Jun-19)	1)CARE A1+ (08-Aug-18) 2)CARE A1+ (24-Jul-18)	1)CARE A1+ (07-Jul-17)	1)CARE A1+ (13-Dec-16) 2)CARE A1+ (11-Jul-16)
2.	Commercial Paper	ST	1685.00	CARE A4	1)CARE A1+ (11-Jun-19)	1)CARE A1+ (08-Aug-18) 2)CARE A1+ (24-Jul-18)	1)CARE A1+ (13-Mar-18) 2)CARE A1+ (07-Jul-17) 3)CARE A1+ (11-May-17)	1)CARE A1+ (08-Mar-17) 2)CARE A1+ (13-Dec-16) 3)CARE A1+ (31-Aug-16) 4)CARE A1+ (11-Jul-16) 5)CARE A1+ (22-Apr-16)
3.	Fund-based-Long Term	LT	1685.00	CARE BB; Stable	1)CARE AA-; Stable (11-Jun-19)	1)CARE AA; Stable (24-Jul-18)	1)CARE AA; Stable (13-Mar-18) 2)CARE AA; Stable (07-Jul-17) 3)CARE AA; Stable (11-May-17)	1)CARE AA; Stable (08-Mar-17) 2)CARE AA; Stable (13-Dec-16) 3)CARE AA (31-Aug-16) 4)CARE AA (11-Jul-16) 5)CARE AA (22-Apr-16)

4.	Debentures-Non Convertible Debentures	LT	50.00	CARE BB; Stable	1)CARE AA-; Stable (11-Jun-19)	1)CARE AA; Stable (24-Jul-18)	1)CARE AA; Stable (07-Jul-17)	1)CARE AA; Stable (13-Dec-16) 2)CARE AA (11-Jul-16)
5.	Debentures-Non Convertible Debentures	LT	475.00	CARE BB; Stable	1)CARE AA-; Stable (11-Jun-19)	1)CARE AA; Stable (24-Jul-18)	1)CARE AA; Stable (07-Jul-17)	1)CARE AA; Stable (13-Dec-16) 2)CARE AA (11-Jul-16)
6.	Non-fund-based - LT-Bank Guarantees	LT	75.00	CARE BB; Stable	1)CARE AA-; Stable (11-Jun-19)	1)CARE AA; Stable (24-Jul-18)	1)CARE AA; Stable (13-Mar-18) 2)CARE AA; Stable (07-Jul-17) 3)CARE AA; Stable (11-May-17)	1)CARE AA; Stable (08-Mar-17) 2)CARE AA; Stable (13-Dec-16) 3)CARE AA (31-Aug-16) 4)CARE AA (11-Jul-16) 5)CARE AA (22-Apr-16)
7.	Issuer Rating-Issuer Ratings	Issuer rat	-	CARE BB (Is); Stable	1)CARE AA- (Is) (11-Jun-19)	1)CARE AA (Is); Stable (24-Jul-18)	1)CARE AA (Is); Stable (07-Jul-17)	1)CARE AA (Is); Stable (13-Dec-16) 2)CARE AA (Is) (11-Jul-16)

Annexure-3: List of entities Consolidated

Subsidiaries:
C&K Investments Limited
Candk Tours SON. BHD,
Clearmine Limited
Cox & Kings (Agents) Limited
Cox & Kings (Australia) Pty Ltd.
Cox & Kings (Shipping) Limited
Cox & Kings (UK) Limited
Cox & Kings. Destination Management Services Limited
Cox & Kings Enterprises Limited
Cox & Kings Finance (Mauritius) Ltd.
Cox & Kings Finance Limited
Cox & Kings Global Services Canada Ltd.
Cox & Kings Global Services Lanka (Pvt) Ltd
Cox & Kings Global Services LLC Dubai
Cox & Kings Global Services Management (Singapore) Pte Ltd
Cox & Kings Global Services Private Limited , UK
Cox & Kings Global Services Pvt Ltd
CKGS South Africa (Pty) Ltd
Cox & Kings Global Services Sweden AS
Cox & Kings GmBH
Cox & Kings Holdings Limited
Cox & Kings Japan Ltd
Cox & Kings Tours LLC, Dubai
Cox & Kings Tours Ltd.
Cox & Kings Travel Limited, Hong Kong
Cox & Kings Travel Limited, UK
Cox and Kings Asia Pacific Travel Ltd
Cox and Kings Consulting Service (Beijing) Co. Ltd.
Cox and Kings Destinations Management Services Pet Ltd-
Cox and Kings Global Services (Singapore) Pte Ltd.
Cox and Kings Global Services USA LLC
Cox and Kings Global Services, Qatar
Cox and Kings Nordic PTV Limited
Cox and Kings Singapore Private Limited
Cox and Kings Special Interest Holidays Ltd.
East India Travel Company Inc,
Edge Adventures Ltd
ETN Services Limited
Grand Tours Limited
Holidaybreak Holding Co Ltd
Holidaybreak Hotel Holdings GmbH
Holidaybreak Ltd
Holidaybreak QUEST Trustee Ltd
Holidaybreak Trustee Ltd
Hotelbreak Enterprise UK Ltd
Hotelnet Ltd
Hotels London Limited
Meinigner Airport Frankfurt GmbH
Meininger "10H City Hostel Berlin-MItte GmbH
Meininger "10" Frankfurt GmbH
Meininger "10" Hamburg GmbH
Meininger "10'' Hostel und Reisevermittlung GmbH
Meininger Airport Hotels BBI GmbH

Meininger Amsterdam Amstelstation By
Meininger Amsterdam By
Meininger Barcelona GmbH
Meininger Berlin Hauptbahnhof GmbH
Meininger Brussels GmbH
Meininger City Hostels & Hotels GmbH
Meininger Finance Company Limited
Meininger Holding GmbH
Meininger Holding USA Inc
Meininger Hotel Asia Pacific Pte. Limited
MEININGER Hotel Berlin East Side Gallery GmbH
MEININGER Hotel Berlin Tiergarten GmbH
Meininger Hotel Bordeaux SAS
Meininger Hotel Brussels Midi Station SA
Meininger Hotel Copenhagen Ap5
Meininger Hotel Dresden GmbH
Meininger Hotel Europe Limited
Meininger Hotel Genf AG, Geneva
Meininger Hotel Glasgow Limited
Meininger Hotel Heidelberg GmbH
MEININGER Hotel Hungary kft
Meininger Hotel Leipzig Hauptbahnhof GmbH
Meininger Hotel Lyon SAS
Meininger Hotel Milan City SRL
Meininger Hotel Milan Lambrate SRL
Meininger Hotel Munchen Olympiapark GmbH
Meininger Hotel Paris Porte de Vincennes SAS,
MEININGER Hotel Rome Termini Station SA
Meininger Hotel Russia Limited
MEININGER Hotel Venice Marghera Sri
Meininger Hotel Zurich AG
Meininger Hotelerrichtungs GmbH
Meininger Hotels (India) Private Limited
Meininger Hotels Limited
Meininger Ltd
Meininger Oranienburger StraBe GmbH
Meininger Paris SCI
Meininger Shared Services GmbH
Meininger West GmbH & Ca. KG
Meininger West Verwaltungs GmbH
Meininger Wien GmbH
Meininger Wien Schiffamtsgasse GmbH
Meininger Hotel Innsbruck GmbH
Meininger Hotel Lisbon, Unipessoal LDA
MEININGER HOTEL MANCHESTER LIMITED
Meininger Hotels North America Limited
Prometheon Australia Pty Ltd
Prometheon Enterprise Limited
Prometheon Holding Private Limited,
Prometheon Holdings (UK) Ltd
Prometheon Limited
Promethean Singapore pte Ltd
Quoprro Global Limited (UK)
Quoprro Global Services Pte. Ltd
Quoprro Global Services Pvt Ltd
Tempo Holidays Ni Ltd.
Tempo Holidays Pty Ltd.
Travelworks UK Limited
Meininger Hotels Washington DC NV AVE LLC
List of Associates: Tulip Stars Hotel Ltd
Malvern Group Ltd (name changed wef 9th May 2017-formerly known as Malvern Enterprise
UK Ltd)
Tutors Direct Limited
Tute Online Limited

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Ashok Leyland Limited
June 28, 2019

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Commercial Paper	**2,000 (enhanced from Rs.1,500 crore)**	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total	**2,000 (Rupees Two Thousand crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings continue to draw strength from ALL being part of the Hinduja Group, ALL's long track record of operations with strong brand image & widening distribution network with pan-India presence, its strong market position in the domestic M&HCV segment, its presence in all sub-segments of the CV segment and low leverage levels.

The rating continues to be tempered by moderate diversification of revenue stream with M&HCV segment accounting for significant portion of income and inherent risk associated with cyclical nature of the segment, ALL's exposure to group entities and increasing competition in the industry.

Going forward, sustenance of the market share in view of intense competition in the industry & changing emission norms with transition to BS VI, extent of diversification of revenue in terms of geography & sub-segments, and significant change in debt levels would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Part of the Hinduja Group which has diversified presence across various industries

"Ashok Leyland Limited (ALL) is part of Hinduja group founded by Shri Parmanand Deepchand Hinduja more than hundred years back. The Hinduja group is a conglomerate which has presence inter alia in Banking & Finance, Transport & Energy, Technology, Media and Renewables industries and the group's operations span 70 countries. Hinduja group acquired stake in ALL in 1987; since then ALL has grown to become one of the major companies of the Hinduja Group".

Well qualified & diversified board of directors backed by an experienced management team

ALL's Board of Directors consists of a well-defined mix of independent directors and representatives from the Hinduja Group. The chairman, Mr. Dheeraj G Hinduja (s/o Mr. Gopichand P Hinduja) is from the Hinduja Group. The Board of Directors of ALL consists of eight independent directors. The Board of Directors is backed by an experienced top management team. Mr.Vinod Dasari who was the Chief Executive Officer & Managing Director of ALL has announced his resignation from the company with effect from March 31, 2019. Meanwhile, Mr.Dheeraj G Hinduja is elevated as executive chairman to facilitate smooth transition until a new successor is found.

Long track record of operations with strong brand image and distribution network

ALL has a long track record of operations of 70 years. ALL has built a strong brand image over the years with a diversified product profile consisting of buses, trucks, light vehicles, defense vehicles, engines, gensets, etc., with vehicle weight ranging from 2.5 tons (T) to 49T, catering to the LCV-GC, M&HCV-GC and M&HCV-PC segments.

One of the key requirements to maintain market position is to have a geographical presence across the country. ALL's distribution network comprises of Dealer Outlets, Authorised Service Centers and Service and Support that Satisfies You (SASSY) units across pan-India. It is to be noted that while ALL has strong presence in Southern and Western India, its dealer network in North, East & Central regions account for 70% of total dealer network.

M&HCV Goods carrier (GC) Segment

With respect to the M&HCV (GC) segment, market share of ALL improved from 20.4% in FY12 to 33.8% in FY18. However during FY19, market shared of ALL slightly moderated to 32.9%. It is to be noted that the success of captain range of trucks and U truck models helped ALL gain market share in the 25T, 31T, 35T & 37T segments. These are critical categories of trucks where bulk of haulage and tipper trucks, which are directly linked to the economic activities in the country are sold.

M&HCV Passenger carrier (PC) Segment

Over the years, ALL has become a synonymous name in the bus segment, wherein it is one of the market leaders with vehicles ranging from 19 to 80 seats. During FY19 the market share of ALL in M&HCV (PC) stood at 41.2% as against 38.5%

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

in FY18. It is to be noted that share of PC (passenger carriers) in total M&HCV sales volume (Domestic) stood at 12% in FY18.

Presence in LCV segment which provides diversification

ALL's wholly owned subsidiary, Ashok Leyland Vehicle Limited's (ALVL) first LCV (GVW < 3.5 T) named 'Dost' was launched in September 2011. This product is presently marketed across the country by ALL. LCV sales volume grew by 37% in FY18 to 43,441 units as against 31,770 units in FY17. During FY19, LCV sales volume witnessed growth of 25% on y-o-y basis to 54,508 units.

Low leverage levels

Total operating income of ALL has grown from Rs.20,244 crore in FY17 to Rs.26,343 crore in FY18 primarily driven by growth in sales volume and market share. Supported by healthy cash accruals, ALL has considerably reduced the debt levels which have resulted in significant improvement in the capital structure. During FY19 also ALL generated gross cash accruals of Rs.2,740 crore. Total gross debt outstanding has declined from Rs.2,146 crore as on March 31, 2017 to Rs. 632 crore as on March 31, 2019. The overall gearing which stood at 0.37x as on March 31, 2017 has improved to 0.08x as on March 31, 2019.

Improvement in the financial performance during FY18 & FY19 on the back of strong growth in CV sales; However M&HCV sales volume witnessed moderation during the period November 2018 to March 2019

During FY18, ALL registered 30% growth in the total income to Rs.26,343 crore supported by CV sales volume growth of 21%, of which M&HCV segment witnessed sales growth of 16% and LCV segment witnessed growth of 37% on y-o-y basis. PBILDT margin during FY18 stood at 10.61% as against 11.22% in FY17. Moderation in PBILDT margin can be attributed to increase in input cost mainly steel.

The total operating income of ALL during FY19 has improved by 9% to Rs.29,055 crore on the back of 12.9% growth in the total CV sales with relatively higher growth coming from LCV sales. PBILDT margin during FY19 was 10.79%.

During 7mFY19, CV sales volume (including exports) of ALL witnessed 33% growth on y-o-y basis, of which M&HCV segment witnessed growth of 30.5% and LCV segment grown by 38%. However, during the period Nov'2018 to Mar'2019 CV sales volume dropped by 5% on y-o-y basis with M&HCV segment witnessing drop of 10% during the period. The moderation was on account of liquidity crisis prevailing in the NBFC market and implementation of new truck overloading norms. Notwithstanding the same, for the whole year FY19 total CV sales volume witnessed 12.9% growth on y-o-y basis.

Key rating weakness

Exposure to group entities which are strategic in nature

The company had planned to expand its scale and scope of operations, wherein it had invested in various associate companies and JVs, which are in related line of business. Total investments (net of provision for diminution in value of investments) stood at Rs. Rs.2,747 crore as on March 31, 2018 as against Rs.2,002 crore as on March 31, 2017. As on March 31, 2018, major chunk of investments (Rs.1,416 crore) was in its subsidiary, Hinduja Leyland Finance Ltd (rated CARE AA-; Stable/CARE A1+) which is engaged in lending (mainly vehicle loans). Total investments in group companies as on March 31, 2019 stood at Rs.2,636.50 crore

Inherent cyclical nature of the automotive industry

The automotive industry is cyclical in nature as it derives its demand from the investments and spending by the Government and individuals. The Indian Commercial Vehicle (CV) industry can be classified into Goods Carriers (GCs) and Passenger Carriers (PCs). On the basis of the load-carrying capacity, the CV industry can be classified into Light Commercial Vehicles (LCVs) and Medium and Heavy Commercial Vehicles (MHCVs). The Indian CV industry is dominated by GCs (Approximate 88 per cent of domestic CV sales) and hence, the domestic sales are dependent largely upon the economic activities like industrial and agricultural production. CV industry has exhibited higher volatility in the past.

CV manufacturers ordered to migrate to Bharat Stage (BS) VI emission norms from April 2020 by the government. Considering that prices of BS VI compliant vehicles are likely to be expensive than present BS IV vehicles, certain amount of pre-buying is expected to result in better growth during FY20. However, unfavorable scenario w.r.t. availability of funding may impact the growth in the immediate term. Extent of success of BS-VI technologies adopted by the players and the strategies used for various products in their respective portfolio are expected to influence the market share of various players, going forward.

Prospects

The CV industry has witnessed higher volume growth in FY18 with truck manufacturers reporting double digit growth. Though higher growth rates continued till October 2018 of FY19, growth has witnessed moderation since then on account of moderation in funding by NBFC sector.

Supported by strong volume growth in M&HCV segment for the past three years ended March 2018 and market share gains, the financial performance of ALL witnessed significant improvement over the years with total income increasing

from Rs.18,960 crore in FY16 to Rs.29,055 crore in FY19. Despite moderation in the CV sales from November 2018, the financial performance of ALL improved during FY19 (on y-o-y basis) on account of higher CV sales growth witnessed during H1FY19.
Going forward, sustenance of the market share in view of intense competition in the industry & changing emission norms with transition to BS VI, extent of diversification of revenue in terms of geography & sub-segments, and significant change in debt levels would be the key rating sensitivities.

Liquidity
ALL's inventory levels remained at around 37 days during FY18 and with better credit terms from its creditors, working capital cycle also stood at -9 day. Average working capital utilization levels for one year period ended May 2019 remained comfortable at 18%. Cash and bank balance including mutual fund investment as on March 31, 2019 stood at Rs.1,374 crore.

Analytical approach:
CARE has considered ALL's standalone financials as ALL contributed to ~89% of the consolidated total operating income in FY18. One of its subsidiaries, Hinduja Leyland Finance Ltd (HLF) accounted for 7% of operating income in FY18. However, HLF being an NBFC interpretation of consolidated accounts is not meaningful.
CARE has taken a limited review based on the key financials of ALL for the year ended FY2019 (Audited.) as reported in the stock exchange.

Applicable criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology-Manufacturing Companies
Rating Methodology – Commercial Vehicle Industry
Criteria for short term instruments

About the company
Ashok Leyland Limited (ALL; CIN No: L34101TN1948PLC000105), Flagship Company of the Hinduja Group, is one of the largest commercial vehicle manufacturers in India. The company was promoted as Ashok Motors Limited in 1948, to assemble the Austin cars. During 1950, ALL commenced assembly and distribution of Leyland commercial vehicles, through the agreement with Leyland Motors Limited, U.K. Currently, Hinduja Automotive Limited (HAL), fully owned by the Hinduja Group, holds 51.12% stake in ALL as on March 31, 2019.
ALL is one of the largest manufacturers of Medium and Heavy Commercial Vehicles (M&HCV) and also has presence in the Light Commercial Vehicle (LCV) segment. ALL's product profile includes buses, trucks, engines and defense vehicles. ALL has seven manufacturing plants (total manufacturing capacity of 1,50,500 units) across five different locations, with the parent plant at Ennore (Chennai, Tamil Nadu), three plants at Hosur (Tamil Nadu), gearbox manufacturing and vehicle assembly plant at Bhandara (Maharashtra), assembly plant with bus body building facility at Alwar (Rajasthan) and a fully integrated unit in Pant Nagar (Uttarakhand).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	20,244	26,343
PBILDT	2,271	2,794
PAT	1,223	1,563
Overall gearing (times)	0.37	0.15
Interest coverage (times)	14.62	21.29

Status of non-cooperation with previous CRA:
Not Applicable

Any other information:
Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	-	-	7 days to 1 year	2000.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	900.00	CARE AA+; Stable / CARE A1+	1)CARE AA+; Stable / CARE A1+ (05-Apr-19)	-	1)CARE AA+; Stable / CARE A1+ (30-Mar-18) 2)CARE AA; Stable / CARE A1+ (25-Apr-17)	1)CARE AA; Stable / CARE A1+ (06-Feb-17) 2)CARE AA- / CARE A1+ (11-May-16)
2.	Commercial Paper	ST	2000.00	CARE A1+	1)CARE A1+ (05-Apr-19)	-	1)CARE A1+ (30-Mar-18) 2)CARE A1+ (19-Sep-17)	1)CARE A1+ (06-Feb-17) 2)CARE A1+ (11-May-16)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	1200.00	CARE AA+; Stable / CARE A1+	1)CARE AA+; Stable / CARE A1+ (05-Apr-19)	-	1)CARE AA+; Stable / CARE A1+ (30-Mar-18) 2)CARE AA; Stable / CARE A1+ (25-Apr-17)	1)CARE AA; Stable / CARE A1+ (06-Feb-17) 2)CARE AA- / CARE A1+ (11-May-16)
4.	Fund-based/Non-fund-based-LT/ST	LT/ST	500.00	CARE AA+; Stable / CARE A1+	1)CARE AA+; Stable / CARE A1+ (05-Apr-19)	-	1)CARE AA+; Stable / CARE A1+ (30-Mar-18) 2)CARE AA; Stable / CARE A1+ (25-Apr-17)	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Apollo Munich Health Insurance Company Limited
June 28, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Instrument - Sub-ordinate Bonds	154.00 (Rupees One hundred Fifty four crore only)	CARE AA; (Double A) (Credit Watch with Developing Implications)	Placed on Credit Watch with developing implications

Details of instruments/facilities in Annexure-1

CARE has rated the aforesaid Subordinated debt considering the regulatory conditions and in view of their sensitiveness to the company's solvency ratio and profitability due to the regulatory covenants during the long tenure of the instrument. Interest payable on Subordinated debt shall be subject to the following:

- *The Solvency of the issuer remains as per regulatory stipulation,*
- *Where the impact of such payment may result in net loss or increase the net loss, prior approval of Authority for such payment shall be obtained*

Any delay in payment of interest/principal (as the case may be) following the invocation of aforementioned covenants, would constitute an event of default as per CARE's definition of default and as such these instruments may exhibit sharper migration of rating

Detailed Rationale & Key Rating Drivers
The ratings assigned to long-term instrument of Apollo Munich Health Insurance Company Ltd (AMHIC) have been placed on Credit Watch with Developing Implications.

AMHIC vide its press release dated June 19, 2019, announced that its Board of Directors have approved the Share Purchase Agreement for the acquisition of up to 51.2% of the issued and paid-up share capital of AMHIC by HDFC Limited from Apollo Hospitals Enterprise Limited (AHEL), Apollo Energy Company Limited (AECL) and other shareholders, subject to receipt of requisite approvals. Further, the Board of Directors of the company have approved the in-principle draft scheme of arrangement and amalgamation for the merger of the company into and with the HDFC ERGO, subject to finalization of the swap ratio and other terms, receipt of requisite approvals.

CARE Ratings believes that the proposed scheme of amalgamation would require approvals from multiple regulatory authorities and would continue to monitor the progress on the proposed amalgamation and would resolve the credit watch once it has significant clarity on the overall credit profile of the merged entity.

The ratings assigned to the long-term instrument of Apollo Munich Health Insurance Company Ltd (AMHIC) factors in strong parentage and demonstrated track record of support from promoters. The rating further factors in AMHIC's market share in health insurance business in India, experienced management team, good asset quality of investment book, adequate solvency ratio & capital support expected from promoters, strong systems and processes as well as geographical diversification of business. The ratings, however, are constrained by concentration in risk with the company only being in the health insurance segment and moderate profitability levels.

The detailed description of the key rating factors is contained in the press release dated August 29, 2018.

Analytical approach: Standalone; factoring in the support of the promoters viz. Apollo Group entities (Apollo Energy Company Limited and Apollo Hospitals Enterprise Limited) and Munich Health Holding AG.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for placing rating on credit watch
Rating Methodology: Factoring Linkages in Ratings
Methodologies - Insurance Claim Paying Ability

About the Company
Apollo Munich Health Insurance Company Limited (AMHIC), incorporated on November 22, 2006 originally as Apollo DKV

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Insurance Company Ltd is one of the leading private sector standalone health insurance company. The company is a joint venture between Munich Health Holding AG (48.59%) and Apollo group through its entities - Apollo Energy Company Limited (40.98%) and Apollo Hospitals Enterprise Limited (9.97%). The company obtained a license from the Insurance Regulatory and Development Authority (IRDAI) for carrying on the business on August 2007.

The company had a network of around 158 branches across India with over 3,671 employees as on March 31, 2018. The company currently has over 64.59 lakh policies in force as on March 31, 2018. The company sources business largely through the network of agents. The company provides Health, Personal Accident and Travel insurance products with Health insurance being the major contributor with 91.2% of the GWP in FY18, followed by personal accident (7.6%) and balance 1.2% being travel insurance.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Net premium written	1,068.77	1444.35
PAT	132.29	15.24
Combined ratio (%)#	89.10	100.7
Total Assets	1,226.54	1570.78
ROTA (%)$	11.67	1.1

A: Audited
#Calculated as net claims paid, net commission, operating expenses /Net Premium Earned
$Ratio computed based on average of annual opening and closing balances

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds-Subordinated	ISIN092V08010	18-Sep-2017	8.40%	17-Sep-2027	80.00	CARE AA; (Double A) (Credit Watch with Developing Implications)
Bonds-Subordinated	INE092V08028	18-Sep-2018	10.25%	18-Sep-2027	74.00	CARE AA; (Double A) (Credit Watch with Developing Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Bonds-Subordinated	LT	154.00	CARE AA; (Double A) (Credit Watch with Developing Implications)	-	1)CARE AA; Stable (29-Aug-18)	1)CARE AA; Stable (7-Sep-17)	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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